

Canada-Railways, Canals and Telegraph Lines,  
Standing Order, 1950

CA1  
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SESSION 1950

HOUSE OF COMMONS

Government  
Publications

# STANDING COMMITTEE

ON

## RAILWAYS, CANALS AND TELEGRAPH LINES

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### MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

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Bill No. 7

An Act to incorporate Alberta Natural Gas Co.

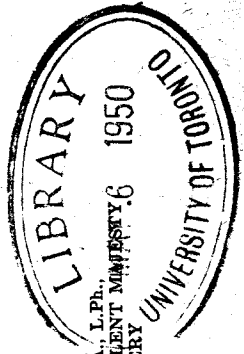
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Friday, April 28, 1950

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#### WITNESSES:

Mr. John J. Connolly, K.C., Parliamentary Agent;  
Mr. A. F. Dixon, President, Alberta Natural Gas Company.



OTTAWA  
EDMOND CLOUTIER, C.M.G., B.A., L.P.H.,  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
CONTROLLER OF STATIONERY  
1950

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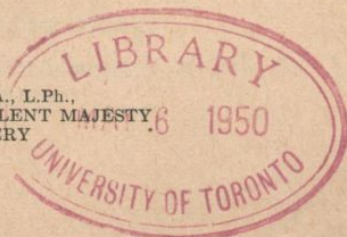
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## MINUTES OF PROCEEDINGS

FRIDAY, April 28, 1950.

The Standing Committee on Railways, Canals and Telegraph Lines met at 11.00 o'clock. The Vice-Chairman, Mr. H. B. McCulloch, presided.

*Members present:* Messrs. Adamson, Appelwhaite, Bertrand, Bonnier, Bourget, Byrne, Carroll, Carter, Darroch, Decore, Dewar, Ferguson, Garland, Goode, Green, Harkness, Herridge, Higgins, Hodgson, James, Jones, Jutras, Lafontaine, Lennard, Maybank, McCulloch, McGregor, McIvor, Mott, Murray (*Cariboo*), Nixon, Pearkes, Prudham, Richard (*St. Maurice-Lafleche*), Riley, Robinson, Rooney, Shaw, Smith (*Calgary-West*), Stuart (*Charlotte*), Ward, Whiteside, Wylie.

*In attendance:* Mr. John J. Connolly, K.C., Parliamentary Agent on behalf of the petitioners and Mr. A. F. Dixon, President, Alberta Natural Gas Company.

The Committee resumed consideration of Bill No. 7, An Act to incorporate Alberta Natural Gas Company.

Mr. Dixon's examination was continued, and Mr. Connolly was recalled.

The preamble and sections one to five inclusive were severally considered and adopted.

On Section 6:

Mr. Green moved:

That the said section be amended after the word "parliament" in the nineteenth line on page two of the bill the following: "and subject to the condition that it may export gas or oil to the United States only to an amount in excess of the amount required by consumers in Canada"

At 1.00 o'clock, on motion of Mr. Maybank, the Committee adjourned to meet again at 3.30 o'clock.

## AFTERNOON SITTING

The Committee resumed at 3.30 p.m. The Vice-Chairman, Mr. McCulloch, presided.

*Members present:* Messrs. Adamson, Applewhaite, Byrne, Carroll, Carter, Darroch, Decore, Dewar, Douglas, Ferguson, Garland, Gibson (*Comox-Alberni*), Goode, Gourd (*Chapleau*), Green, Harkness, Herridge, Hodgson, Jones, Jutras, Lafontaine, Lennard, Maybank, McCulloch, McGregor, McIvor, Mott, Murray (*Cariboo*), Nixon, Pearkes, Prudham, Richard (*St. Maurice-Lafleche*), Riley, Robinson, Rooney, Smith (*Calgary West*), Stuart (*Charlotte*), Ward, Whiteside, Wylie.

*In attendance:* The same as indicated for morning sitting.

The Committee resumed a clause by clause consideration of Bill No. 7, An Act to incorporate Alberta Natural Gas Company.



*On Section 6.*

After some discussion thereon the proposed amendment to Section 6, moved by Mr. Green, was resolved in the negative on the following division:

*Yeas:* Messrs. Adamson, Ferguson, Green, Harkness, Herridge, Hodgson, Jones, Lennard, McGregor, Pearkes, Smith (*Calgary West*), Wylie—12.

*Nays:* Messrs. Applewhaite, Byrne, Carroll, Carter, Darroch, Douglas, Garland, Gibson (*Comox-Alberni*), Goode, Gourd (*Chapleau*), Jutras, Lafontaine, Maybank, McCulloch, McIvor, Mott, Murray (*Cariboo*), Nixon, Prudham, Riley, Robinson, Rooney, Stuart (*Charlotte*), Ward, Whiteside—25.

Mr. Green further moved:

That paragraph (a) of Section 6 of the Bill be amended by inserting after the word "hydrocarbons" in the twenty-eighth line the following: "provided that the main pipe line or lines, either for the transmission and transportation of oil or gas shall be located entirely within Canada."

The question having been put thereon the said proposed amendment of Mr. Green was resolved in the negative on the following recorded division:

*Yeas:* Messrs. Ferguson, Green, Harkness, Herridge, Hodgson, Jones, Lennard, McGregor, Wylie—9.

*Nays:* Messrs. Applewhaite, Byrne, Carroll, Carter, Darroch, Decore, Garland, Gibson (*Comox-Alberni*), Goode, Jutras, Lafontaine, Maybank, McCulloch, McIvor, Mott, Murray (*Cariboo*), Nixon, Prudham, Riley, Robinson, Rooney, Stuart (*Charlotte*), Ward, Whiteside—24.

Mr. Herridge further moved,

That paragraph (a) of Section 6 of Bill 7 be amended by inserting after the word "within" in the twentieth line the following: "the provinces of Alberta and British Columbia".

And the question having been put on the said proposed amendment of Mr. Herridge it was resolved in the negative on the following division:

*Yeas:* Messrs. Adamson, Ferguson, Green, Harkness, Herridge, Hodgson, Jones, Lennard, McGregor, Pearkes, Smith (*Calgary West*)—11.

*Nays:* Messrs. Applewhaite, Byrne, Carroll, Carter, Darroch, Garland, Gibson (*Comox-Alberni*), Goode, Jutras, Lafontaine, Maybank, McCulloch, Mott, Murray (*Cariboo*), Nixon, Prudham, Riley, Robinson, Rooney, Stuart (*Charlotte*), Ward, Whiteside, Wylie—23.

Sections 6 to 10 both inclusive were severally adopted without amendment.

The title was also adopted and the bill ordered to be reported to the House without amendment.

At 6:15 o'clock p.m. the Committee adjourned to meet again at 8:15 o'clock p.m.

ANTOINE CHASSÉ,  
*Clerk of the Committee.*



## REPORT OF THE HOUSE

FRIDAY, April 28, 1950.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as a

### THIRD REPORT

Your Committee has considered Bill No. 7, An Act to incorporate Alberta Natural Gas Company, and has agreed to report it without amendment.

All of which is respectfully submitted.

H. B. McCULLOCH,  
*Vice-Chairman.*





## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

April 28, 1950.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11:00 a.m. The Vice-Chairman, Mr. H. B. McCulloch, presided.

The VICE-CHAIRMAN: It is 11 o'clock and I now call the meeting to order. We have a quorum. I understand that Mr. Dixon would like to answer a few of Mr. Green's questions. Mr. Green is here now.

### Mr. A. F. Dixon recalled:

The WITNESS: Mr. Chairman first of all I would like to make a short statement. Mr. Goode asked me if I would say anything further in regard to the atomic plant at Hanford. All I can say is that we have worked in Washington and out in Hanford, and that we are under a pledge to say nothing.

*By Mr. Goode:*

Q. May I ask one further question: is it because of security reasons that you cannot make a further statement?—A. Yes. We were pledged. When we go in there, we sign a document saying that we will not talk. I believe Mr. Green has asked me for some figures.

*By Mr. Green:*

Q. That is right, about the mileages.—A. Yes. I have the mileages for all the different routes in Canada and in the United States. Route A in Canada, 626 miles and in the United States 385 miles.

Q. Is that from Pincher Creek?—A. All of the lines in Canada start at Pincher Creek.

Q. You say 626 miles in Canada?—A. Yes 626 miles in Canada and 385 miles in the United States. Route B in Canada 210 miles, and in the United States, 720 miles. Route C for Canada—

Q. 210 miles in Canada and 720 miles in the United States?—A. That is right. And route C in Canada 506 miles and in the United States 507 miles. Route D in Canada 526 miles and in the United States—

Q. 526 miles?—A. Yes. And in the United States, 489 miles. Route E in Canada, 436 miles, and in the United States 584 miles.

Q. Thank you very much.

*By Mr. Smith:*

Q. Mr. Chairman, for the sake of greater clarity, no matter who builds or operates a pipe line, a gathering system will be necessary?—A. Certainly.

Q. In other words, knowing what we do about reserves, we could not just say that we would use this field. In the first place, you could not finance it unless you have a tremendous reserve in Canada. No one can.—A. Not only that, but you must take the gas where the Alberta government tells you to.

Q. I know. But you have got to get some money before you can build a line. To finance a pipe line the chief thing they rely upon is the amount of reserves so they can project it over a period of years. That is one of the essentials in financing it?—A. Certainly.



Q. So, no matter who builds a line, some one will have to build a gathering system?—A. You could go to just one or two fields which would be sufficient for this line. The necessity for this line is not a large grid system.

Q. Let me put it this way: if you went to the large field, let us say, at Pincher Creek, then you would meet a lot of opposition in Southern Alberta, would you not?—A. Not if you went to Pincher Creek alone.

Q. Yes. You say there are one or two fields and that Pincher Creek is now one of them?—A. You could not operate a line on Pincher Creek, not that it has not sufficient reserves for the line, but it is the wrong type of composition.

Q. You mean that in Alberta you have two types of gas, one being a wet type and the other being a dry or sweet gas?—A. One is on a distillate field.

Yes. And the other is dry.

Q. Pincher Creek is a distillate field?—A. Yes.

Q. But Jumping Pond is too, a lesser degree?—A. That is correct.

Q. Both of them are sulphurous.—A. That is correct.

Q. So that in using any gas from a distillate field you must do two things: You must remove the sulphur and you must wash the gas?—A. That is correct.

Q. And by washing, that means that you wash the sulphur from the gas so that the rotten egg odour, the  $H^2S$  is removed?—A. Yes.

Q. The rotten egg odour is withdrawn. Now, in removing the distillate, that is done by an absorption plant?—A. Ordinarily it is, now.

Q. That is the ordinary method; and is there something more?—A. No, but they had cruder methods before.

Q. In other words, Imperial Oil are building a large absorption plant at the Leduc field?—A. But that is a different type of field.

Q. I will be coming to that; that is a crude field?—A. Yes.

Q. Pincher Creek is not a crude field, it is a distillate field, which means that it is a wet gas without any free liquid?—A. No. It has some free liquid.

Q. Or comparatively little free liquid in it?—A. Yes.

Q. And once you get that out, you bring it into a Smith Separator—I must get my name into this somehow; it must come to the surface—you would put it through a Smith Separator.—A. Or other separators.

Mr. HIGGINS: It would not be as good, though.

*By Mr. Smith:*

Q. Apparently I cannot get the first prize here but I would like to try for place or show at least. Then you put it through a separator which has a number of baffle plates in it, and by the quick expansion of the gas, they expell the liquid from it. That is the process?—A. Yes.

Q. And then the remaining gas, still carrying some liquid in solution, is taken to the absorption plant and there the remainder of the liquid is removed?—A. That is correct.

Q. So all of these processes must take place before the gas from the distillate field is put into a pipe line for consumption in people's homes?—A. But in this case you must have a sulphur removing plant as well.

Q. And in addition to that you must have a washing plant to wash the sulphur from the gas?—A. Yes.

Q. Sulphur, of course, has now become, probably, an asset to the plant?—A. That is debatable.

Q. But there is a good sale for sulphur, is there not?—A. There may be a good sale for sulphur, but there are only two places where they have successfully removed it on a commercial scale. I think that at Pincher Creek they can remove the sulphur and make money out of it.

Q. And where would the market be for that sulphur?—A. At Trail.



Q. You mean at the plant at Trail?—A. Yes.

Q. But surely Royalite is selling sulphur from the washing plant at Turner Valley?—A. No.

Q. Then what do you do with it?—A. It is burned.

Q. You mean you burn out the sulphur?—A. They extract the  $H_2S$  and mix it with air and burn it.

Q. I saw great piles of sulphur lying around their plant. That is not  $H_2S$ ?—A. I do not know what they use it for.

Q. Well, it is of no importance, but I have seen great piles of it lying around. I would like to make this plain: in the event of anybody trying to take Alberta gas from Alberta other than from a grid system which in effect would pool all of the gas, would expect great opposition from the city of Calgary and the southern distributing system?—A. You certainly would.

Mr. GOODE: This is very important to us. There is so much conversation going on in the room that we cannot hear Mr. Smith and we would like to hear his questions.

*By Mr. Smith:*

Q. I shall endeavour to raise my voice so, if it becomes a little bit raucous, do not blame me. Put the blame on those who think I should "foghorn" it a little bit, if I might use that expression.

Let me put this to you, Mr. Dixon: the southern Alberta Canadian western or Calgary system, we will call it for brevity today, is in a position where next year, in order to handle a peak load, they will have to shut off certain customers even as soon as next year, 1951?—A. If they should have a severe winter and have to handle a high peak load, they will have to shut off industrial plants first. But they have told me that if they have as severe a winter as last winter, they would have to have 15 million more on peak days.

Q. Yes. And that would have to be shut off from present users, no doubt, in the industrial field?—A. If they cannot get some extra gas.

Q. And their nearest field would be Jumping Pond, then, which is twenty miles or so west?—A. No, forty miles.

Q. Well, the fishing part of Jumping Pond is about twenty miles?—A. That is right, the gas discovered by Shell would be nearly forty miles. That would be their nearest source of supply.

Q. In any quantity?—A. That is correct.

Q. And in the absence of a grid system, some one would have to go in and build that line?—A. That is true.

Q. It is not a large field, is it?—A. Yes, it is a large field.

Q. As compared with Pincher Creek?—A. It is about half the size, let us say.

Q. About half the size?—A. And that is still a large field.

Q. Yes, but I mean as compared with Pincher; it would be 50 per cent or around there?—A. Oh, it may be more.

Q. How many wells have they drilled there?—A. Five.

Q. You say five; and how has the area proven? How far apart are the wells?—A. I think it is about six miles in length, but I am speaking from memory.

Q. Yes; and have you any idea of the width?—A. About a mile.

Q. In other words, it is in the mountainous area where the rock or sand holding the oil or gas is in a narrow area?—A. Yes.

Q. It is the land of the anti-cline, if I may put it that way; it is about 40 miles almost straight west of Calgary; and about how far from Turner Valley?—A. About 60 miles.

Q. About 60 miles north and west of the last extension north of Turner Valley; would that be about right?—A. Yes.



Q. Now, so much for gathering systems. You know there is a company incorporated out there to build a gathering system. They call it the Interfield?—A. It is called Interfield something or other. I forget what the rest of the title is.

Q. That is Mr. Ray Milner's organization, is it not? At least his name is prominently associated with that development?—A. Let us call it his company.

Q. That is what I meant in the same way that I would call this your company. But no doubt it has got a little help. However, we will leave that. No matter who builds a pipe line, you are of the opinion that we must have a grid system or in other words the creation of a common pool. I want to ask you this: in the event that we are using a lot of gas from the distillate field, such as Pincher Creek, and we are getting from their absorption plants more than the demand of the moment—I mean for example on a warm day or something of that sort—have you in mind storage fields, that is, fields in which you can store the sweet gas for future use? Take Kinsella for example, you could use that?—A. No, I think it would be very foolish. I can speak with great experience on the storage of gas. I know that in the case of the El Paso field there is a 64 billion cubic feet storage capacity. We did the engineering work, and we are still doing work on it for them. That is twice the size of any storage field that has ever been used in the United States. The storage of gas is not the simple and easy thing it would appear to be. And it is expected that if you have to store gas you must add 4 cents to the price.

Now the Kinsella field is an immense field covering a tremendous territory and it is entirely unsuitable as a storage field. It would be like putting it down a rat hole and there it is gone because you do not get it back.

Q. Well, if the field is that size, I would agree with you.—A. The Kinsella field covers hundreds of square miles of continuous gas sand, and putting gas into that field with the expectation of getting it back is just foolishness.

Q. I would think so.—A. That is one field which extends north, south, east and west and no one knows how far. It is an immense thing.

Q. Let us take a field then where they are actually doing it. You know the Bow Island field?—A. Yes.

Q. And you know that Bow Island was exhausted at the time that No. 4 came in in Turner Valley? You know that?—A. It was some little time before that.

Q. I say at the time that No. 4 came in we were gas poor; we had no gas to speak of in Calgary, and you know that since that time the same gas companies have been storing gas from Turner Valley in Bow Island which is at least 100 miles away, or in that neighbourhood, and you know that this has been done and done successfully?—A. Yes, but it is just a little field.

Q. So that is what you had in mind, no doubt, when you said it would be a good thing if a small field were discovered in the State of Washington for storage purposes?—A. Yes.

Q. In other words to give an opportunity to supply the markets which are contiguous to that field?—A. The El Paso line gets about 400 million per day from gasoline plants, such as the one they are building in Leduc, so they are not dependent on any market for gas; they are dependent on the production of oil.

Q. Yes.—A. That would be the same thing in the case of the distillate field, where you get a continuous amount of gas whether you have a place to put it or not; therefore you can only use it to the extent of your minimum requirements unless you store it.

Q. Yes, that is right.—A. And if you can avoid storing it, it is a good thing.

Q. Oh, yes.—A. Except for safety. For example, if you can put gas or other fuel into a line which can be shut off in summer and opened wide in winter, that makes an ideal system.



Q. I agree with you, but what I am saying is that there is nothing inherent in a sweet gas field which makes it impossible to store gas from a distillate field after it has been washed and the distillate removed.—A. No.

Q. There is nothing to stop you?—A. I grant that.

Q. You agree?—A. Well, I have done that very thing.

Q. Yes, that is what they are doing down there now at Bow Island. They are storing the gas from the sweet gas filed after it has been dried. Now I turn to something else. Have you got a copy of the map which you filed under paragraph 7 of your application made on the board in Calgary?—A. No.

Q. Perhaps I have got the wrong number. But have you got a plan, or a copy of a plan in connection with paragraph 4 of your application? That is the third paragraph which states that the project of the Northwest Natural Gas Company is to buy gas in the province of Alberta and transport it by pipe line through the Crows' Nest Pass to Trail, Vancouver, Tacoma, Seattle, Spokane, and to intermediate points? Have you got a copy of the plan which was filed at that time?—A. It do not think there was a plan which went with it.

Q. But this is your application, dated in August and which was submitted to the board out there and I wondered if you had filed a plan under paragraph 4?—A. No. I do not think we did.

Q. All right, you have not got such a plan, but I thought you might have it. Now, we had some discussion about northern and southern Alberta, but I think perhaps we were talking at cross purposes. I think you told someone yesterday that you regarded northern Alberta as from a point 50 miles north of Edmonton and north. But we out there think that Edmonton is in the north; and we are accustomed to regard Red Deer and south as being in southern Alberta and Red Deer and north as being in northern Alberta.

Q. The new discoveries of gas are practically all in Edmonton, Leduc and so on, and north of there, with a little bit in Hanna?—A. I do not understand, the new discoveries?

Q. Yes. I mean Leduc to begin with, Redwater and all those places are north of my centre of Alberta, north of Red Deer.—A. It depends upon how many years you are thinking back. The discovery—

Q. Let us take the last three years.—A. No, I think more has been discovered south of that than has been discovered to the north.

Q. South of Red.—A. Yes.

Q. In other words you are thinking of Pincher Creek?—A. Yes. Pincher Creek has been discovered a good deal more than three years.

Q. Jumping Pot was discovered more than three years?—A. Jumping Pot was discovered five years ago.

Q. And Pincher Creek?—A. No, sir.

Q. How far have you gone back? Have you gone back as far as the drilling of the Waimar well in the Pincher Creek area?—A. The first big well found gas there in large volume.

Q. When was that?—A. Three years ago wasn't it? Well, it is two and a half years ago, anyhow, in that field.

Q. Do you believe in the four thousand pounds per square inch pressure they talk about down there?—A. I have seen it.

Q. What is that?—A. I have seen the gauges.

Q. And as a matter of fact they have to get special instruments in order to register it?—A. Enormous pressures, yes, but no greater than in other wells of the same depth.

Q. Well, four thousand pounds is something.—A. It is considerably above four thousand pounds.

Q. You calculate these things through Boyle's Law, do you not, dealing with the pressures of gases and so on? That law still operates doesn't it?—A. Yes, Boyle's Law states the relationship between pressure and volume.



Q. And that is one way you have in estimating the volume which is placed at any particular spot? Now, I want to talk about—I want to assure my good friend, Mr. Maybank, I have made a few little notes in order to shorten my examination today.

Mr. MAYBANK: There is nothing like a little homework.

Mr. SMITH: That is the only way I can handle it.

*By Mr. Smith:*

Q. Now, you spoke about a line from Peace River to Prince Rupert in the event of large areas being discovered in the Peace River block area. How many years do you think it will be before we have a gas line from Peace River to Prince Rupert?—A. That is anybody's guess.

Q. Will you and I live to see it?—A. I think so.

Q. You are much younger than I am and perhaps your hope is justified for that reason. It is probably for that reason, is it not?—A. You can never tell.

Q. What are they going to do with it?—A. If they find gas up there?

Q. Yes.—A. As I said I think they will develop markets for it towards the west to Prince Rupert.

Q. Along the line?—A. No, they first have to have the market, a big industry.

Q. But taking the Peace River block and Prince Rupert, the development you expect is along that line, is it?—A. No, the only development I hear of there is the aluminum plant which may or may not materialize. They would want their gas at Prince George. That is the one by the coast; no, not Prince George, Prince Rupert.

Q. We will not bother any more about that. All you mean is this, that after this happens, and if that happens, a gas line might be feasible between the Peace River country and Prince Rupert.—A. If they find gas.

Q. If they find industries, then a gas line might—if the volume necessary warranted, then you could have gas?—A. I would like to promote that myself.

Q. What is that?—A. If those two things happen, I would like to try to promote such a line.

Q. And if the aluminum company does not put in a large plant there you would not want to promote it would you?—A. No.

Q. I want just a word or two with you about uniform prices, and I want to be sure that I understand it. In your view, and I think you said in the view of the Power Commission of the United States, you adopt the system of a uniform price to the person using gas along that line irrespective of where they are on the line?—A. In general, yes. There might be some exceptions to that but that in general would be correct. That would be the principle on which we would work.

Q. I mean you adopt that as a good principle?—A. I think it is an excellent principle.

Q. In other words you make no allowance in that for distance of carriage?—A. Well, you can hardly say that. The price does not depend upon the distances carried. The distant market has to bear its cost of the whole project. The nearby markets could not be served without the more distant markets. That is the principle that is applied in so many cases. There can be differences of opinion on it, just like the railroad rates do not always seem to work on the principle of distance.

Q. Telephone rates, railway passenger rates—not railway freight rates, I nearly went too far there—all those rates increase with the mileage used by the commodity or the person doing the travelling?—A. Well, you are covering too much territory. Freight rates do not, and telephone rates do only to a limited extent.



Q. In Canada? You try to telephone Winnipeg and then try to telephone Vancouver. Perhaps Vancouver might be a good place to telephone to; I suppose you have some friends there. When you come to pay for your telephone call you will soon see that there is a difference in the price you pay.—A. It is not proportional to the distance by any means though.

Q. What is it based on?—A. I wish I knew.

Q. I wish I knew what they were based on. At least I wish I knew what freight rates were based on. I have spent forty years trying to find out what they are based on and I have not succeeded yet. Now, in any event, you are of the opinion that a person in Portland, Oregon, should pay the same rates for gas as a person in Kingsgate, British Columbia?—A. Spokane, that is making it two big cities, and that is really nearer Kingsgate.

Q. All right. What I am coming at is this: your idea is that there is no advantage in living or doing your business near the source of supply?—A. Well, if you are very close, that is a different matter, such as at Calgary or Edmonton, but when you are at a considerable distance away and a large line has to be built to supply the whole series of places, I think each consumer should share their proportion of cost of the whole enterprise.

Q. I am coming to that. You said that in your view there was very little to be expected by way of development along a pipe line in the wide open spaces, let us say, along the pipe line?—A. You have expressed it exactly correct.

Q. And I suppose that would continue to be so if the persons using the product, the gas, or are engaged in industry which uses it, pay the same price a thousand miles away from the source as if you were fifty miles away from it. You have the answer to your story right there, have you not?—A. Well, you are making it too extreme.

Q. Well then, let us go as far as Jasper Park. That is about two hundred miles away?—A. Two hundred and forty miles.

Q. All right, so that I suggest what I have said to you gives the complete answer to your statement of a moment ago. Now, I am going to give you another one. We will take the city of Medicine Hat in Alberta. You are familiar with that place; it was our first discovery of gas, and our first user of gas in that province. Now, you also said that gas was an apt fuel for the manufacture of ceramics. Am I right that ceramics means the manufacturing of clay products?—A. Anything made of clay.

Q. Clay products, such as bricks? Well now, speaking about industry being attracted to gas. In Medicine Hat, as you know, we have some pottery companies, which is a ceramic industry, which are quite large, I mean having regard to our country they are quite large affairs. Medicine Hat Potteries is one. Now the clay which is used there comes from the province of Saskatchewan, so I am giving you a good example of an industry where they import their raw products from Saskatchewan just because the gas was at Medicine Hat.—A. As I already said ceramics is one of the several industries that are attracted to gas.

Q. What about glass?—A. Glass is also in that category but not quite so much as ceramics.

Q. Then let us take the Ogilvy Flour Mills, if you will, which are in Medicine Hat, located there of course because they had gas, or do you know that? Everybody in Medicine Hat has his own gas line in his own back yard, as somebody remarked.—A. That illustrates exactly what I have been trying to say.

Q. But industry has come to the gas and has even brought its main raw product, which is clay, from another province. Now, were you suggesting the fact that the gas there would not affect that?—A. No, I stated in my testimony that certain industries are attracted to it in the same way that if there was cheap coal an industry might be attracted to that place where the coal is.



Q. Certainly, but the fuel cannot only be reckoned as a percentage cost in the manufacture or fabrication of the product. Gas must be taken into account in any place where there are industries, because they have come to and been attracted by gas.—A. But to a very limited extent.

Q. Well, I have given you a couple of examples. Greenhouses are another.—A. Medicine Hat had free gas for a while for industries locating there, so I am told.

Q. I think they charged a cent a thousand cubic feet, I do not think it was ever free. I remember when they burned it in their street lamps all day because it was cheaper to leave it burning than it was to turn it off. There is no question about that. I have seen it for years and years. Now, I leave the matter of industry because I see we are approaching the zero hour which, of course, our vice-chairman knows nothing about. Now, about population, I assume you, like all other persons, have made population studies of these markets?—A. Yes.

Q. I want to come back to something and this is the only time I am referring to anything referred to by anybody else. How many services do you contemplate in Vancouver?—A. I have not got the figures with me. We took those figures from the British Columbia Electric Company.

Q. Do you know how many services they have now?—A. I cannot remember.

Q. They have plants there manufacturing gas in Vancouver, that is the gas they are presently using, and, incidentally, let me get another boost in here for Alberta: the manufactured gas does not even compare with the B.T.U.'s contained in the natural gas we are all talking about here.—A. Just half.

Q. Just half, yes, and we had some discussion with respect to coal. Now, on a comparative basis, comparing natural gas with any other fuel, the comparison can only be made on the basis of the B.T.U. content in the fuel, that is to say, British thermal units?—A. No, there can be other comparisons, natural gas having great advantages in addition, in many cases, over and above its B.T.U. value.

Q. I mean being able to move it about and so on, and the cleanliness.—A. And you can control the heat and various other things.

Q. But I mean for the creation of heat, insofar as using it by way of heating. The comparison I am referring to is the comparison by B.T.U.'s, comparing it with coal or sawdust or any other fuel?—A. Yes.

Q. I want to come back to see if you can give me some idea of the number of gas services you contemplate in British Columbia, and greater Vancouver, because it strikes me that eleven and a half billion, using the minimum of three billion at Trail, is so strikingly small. You are contemplating sending into greater Vancouver less gas than is used today domestically only in the city of Calgary. Do you realize that?—A. Yes.

Q. Do you not think the British Columbia Electric Company had better get out and sell some gas if your project is going to get anywhere?—A. I figure they will and we are figuring on an ultimate load a great deal more than that. We were taking the figures from the British Columbia Electric Company.

Q. Is that the figure at the end of five years? I mean you figure those things in five year periods do you not?—A. Yes.

Q. But the services that you have now considered are the services at the present time in British Columbia?—A. No, this is based on additions that will come in when natural gas comes into Vancouver.

Q. You did not care much about that area, with the huge area of Vancouver where, I think, the population was 500,000 in the census a month ago. Would you say they would take less gas than the little city of Calgary from which I come?—A. They use a lot of gas on a cold day in Calgary, and the houses are heated with gas.

Q. We have got a saturation point.—A. You have a rate of saturation and a cold climate.



Q. I give you my word it was cold this past winter. I was home for six weeks and it was below zero the whole time. But then I went to Vancouver and was stalled there for two weeks because it was so cold and there was so much snow you could not move a train or anything out of there.

Mr. MURRAY: They were short of fuel.

*By Mr. Smith:*

Q. Canada's evergreen playground! I could not go to Vancouver Island as someone has just suggested because the blizzard was blowing so hard it blew you straight back to the mainland. You could not get ashore. Now, do you not think you are rather low on that usage out there?—A. I think it is low in ultimate consumption, yes.

Q. Now, what division do you contemplate as between domestic and industrial use, what percentage?—A. It varies from place to place. We were taking the division as made by the local company.

Q. And have you got that?—A. We have it but I have not got it right here.

Q. In other words, you expect your industrial load to be bigger than your domestic load, do you not?—A. In some places. I do not think that will be so at all in Vancouver; it is practically domestic.

Q. Well, I will leave that with you because I do not want to take up all of this little bit of time given to us this morning through the goodness of the government, so I close by asking you one simple question: Insofar as gas in Alberta is concerned, you do not own any?—A. No, sir.

Q. And you have not drilled one oil or gas well in the area from which you intend to take your gas, yourself or your associates?—A. Oh, that is not true. Some of our associates have done so.

Q. Who have?—A. Well, Mr. Arthur Newburn, Moyer, Smith, Carr, Spencer, Howard, Fawn, Eric Harvey.

Q. Have you got Harvey?—A. I say he has been working with us.

Q. I see. Is he one of the persons who have put up money for the preliminary—oh, never mind, do not answer that. He can well afford it, I can tell you that.—A. He can afford it.

Q. But your position is this, and I am not saying this in any disparaging manner, you are here purely as a promoter. I do not mean that in any sneering sense. That is your business, is it not?—A. That is my business, the building of gas pipe lines is my occupation.

Q. Seeking to build a gas line, and as far as this one is concerned, you are a promoter—it is not offensive, but that is your position.—A. That is my personal position.

Q. Thank you very much.

*By Mr. Adamson:*

Q. Mr. Chairman, I wanted to ask two or three very short questions with regard to markets, for some time. Mr. Dixon has told us that the total consumption estimated for the United States is 63½ billion cubic feet per annum—I assume that is the yardstick on which your estimates are made—and in Canada it is 11½ billion cubic feet per year, approximately 11·5 billion cubic feet, if the lesser consumption at Trail is taken into account. Now, could you tell us the estimated consumption at Spokane, Seattle, Portland and Vancouver?—A. Spokane 3·7 billion; Seattle 14 billion.

Q. Seattle 14 million or billion?—A. Billion. And Portland 23 billion.

Q. And what in Vancouver?—A. About 8 billion.



Q. About 8 billion in Vancouver. Now, could you tell us—the question is on the alternative route, the one between Trail and Aldergrove—have you any estimate of the gas you would sell in that district?—A. It will be practically none.

Q. Practically none. These figures have been published so there is no secret about it: the atomic energy plant would, with Trail, take more than the total in Vancouver so that you would estimate the atomic energy plant would take in the neighbourhood of about 8 billion cubic feet. I am not asking you to say yes or no, but it is arrived at from the interpretation of the figures, and I say they have been published and they are not confidential. Now, route "B" is the only route which takes care of the atomic energy plant. All the other routes leave it out, as I see it, and all the routes take care of both Spokane and the other major cities. The only difference between the routes is the servicing of the atomic energy plant, which is a major market, at Hanford?—A. Yes, sir.

Q. That is correct? And I see the advantage, therefore, apart from your easier construction would be the atomic energy plant at Hanford?—A. That is correct.

Q. That is information I wanted to bring out, and I say I am not asking you to say what your estimate is because I know you are not supposed to say that, but from the evidence it is obvious that it is a very extensive market.

Well, now Mr. Dixon, just one question about transformers. Transformers are what percentage of your total cost?—A. Transformers?

Q. Your compressors, rather?—A. I cannot give you an immediate percentage. On route "A" the transformers, in round numbers are fourteen million, I should say the compressors rather, are fourteen million dollars and the construction is sixty-four million.

*By Mr. Smith:*

Q. Is that without the advance in steel prices?—A. This is with the advance in steel prices. In route "B" the compressors are approximately twelve million dollars and the cost of other construction is about fifty million.

*By Mr. Adamson:*

Q. Presumably those compressors would be manufactured by Canadian Ingersoll Rand?—A. We have been negotiating with Cooper, Bessemer and Vickers. Vickers are negotiating for the right to build the Cooper-Bessmer compressors.

Q. And they would be Canadian made?—A. Yes.

Q. Just one other question: you would, of course register with the Securities Exchange Commission?—A. Naturally.

Q. Naturally you would register with the Securities Exchange Commission and you would be controlled, naturally, as far as gas coming into the United States is concerned by the Federal Power Commission?—A. Yes.

Q. And they have the power to prevent the export of gas if they deemed it necessary, if there was an emergency? I do not say they would, but they have the power to do so.—A. I do not think they have. It takes a presidential decree to either export or import, that is a control outside of the Federal Power Commission. The export or import must be by presidential decree, but I think that is worked through the Federal Power Commission. I am not sure really how that works. I have been working on a line going to Mexico and I recollect it is a presidential decree that they got.

Q. But there really is in fact some departmental official who gives the ruling, because I know the Federal Power Commission did prohibit coal cars from coming into Canada two years ago, and that was just an order of some colonel in Washington who just said there should be no coal cars coming into Canada, and



I am saying the same thing could happen in connection with the re-export of gas.—A. There was never a case of a coal car leaving Canada and then being stopped from getting back into Canada.

Mr. MAYBANK: Like a Canadian Pacific coal car.

The WITNESS: Referring to the product itself, have you ever heard of a case where the product, which is coming out of Canada, was interfered with in any way from getting back into Canada again.

*By Mr. Smith:*

Q. These cars, which were Canadian cars, were refused re-entry at that time, but I am just asking you about the powers of the Federal Power Commission. I assume they could stop re-export of gas, even irrespective of the country of origin?—A. Well, if that happened, I think Canada would stop it at the other end, so there would not be any gas for anybody.

Q. I realize it is an academic question but it is a thing that could happen. That is all.

*By Mr. Herridge:*

Q. I would just like to ask Mr. Dixon one short question in connection with the supply of gas. I asked Mr. Dixon if his company was willing to sell gas to the city of Nelson and he replied yes, but I did not hear the answer.—A. My answer is yes.

Q. I was told afterwards that Mr. Dixon said yes, they had a contract with the British Columbia Electric.—A. All we had were some conversations.

Q. Would your company be willing to make a contract with the corporation of Nelson if they desired?—A. Certainly.

*By Mr. Pearkes:*

Q. I am neither a lawyer nor a gas expert but as a potential consumer smitten by a shortage of gas could you give me some information regarding the pressure that will be maintained on your line at a point which the consumers would be concerned about. Will you be able to have a uniform pressure at all points throughout your system?—A. The pressure starts at seven hundred and fifty pounds per square inch as it leaves the compressor and then drops progressively as it is going towards the end of the line. Our calculated pressure is one hundred pounds at the city gate. They do not want it at any higher pressure than that. That is the highest pressure that the city wants the gas at. You then get the gas in your own main at a pressure of a few ounces.

Q. The longer the line the less the pressure?—A. It depends on how far it is from the compressor station. The pressure drops between compressor stations and then starts up again.

Q. Would the pressure be the same at Trail, Portland and Vancouver?—A. It will be the same when it reaches the city gate. It is calculated to be so. The pressures are designed to do that.

Q. And it does not make any difference how many compressor plants or distributing systems there are?—A. No, the compressors will be adjusted to take care of that.

Q. It makes no difference regarding the question of weather? Whether it is cold or hot you will still be able to maintain that pressure?

The VICE-CHAIRMAN: It is twelve o'clock.

*By Mr. Jones:*

Q. Yesterday, you mentioned that you would not be prepared to serve the Okanagan valley from one of your routes. Suppose the consumers of that area formed a company, would you sell in bulk to them? Would your company be willing to co-operate?—A. Yes.



Q. So your statement is you are not prepared to build a line to the Okanagan valley but you would sell in bulk?—A. Certainly.

Q. That is provided it is an all-Canadian route. You would not go in there if it was not an all-Canadian route?—A. It would have to come up from another direction but it looks like as if it could not be done except on an all-Canadian route.

Q. But you would encourage such a development if they approached you?—A. Certainly.

Mr. HIGGINS: Mr. Chairman, I have only one question. I will explain it so there will be no misunderstanding. Last evening I was asking Mr. Dixon with respect to the existence of the Federal Power Commission or whatever authorities there would be on the serving of the United States end. At the time I did not have the transcription of the evidence. Arising out of Mr. Green's question, I have the record here this morning, and I would like to read that part of the question dealing with this particular point and have Mr. Dixon's opinion on it again.

Mr. GOODE: On a point of order. We decided last night on a vote taken that we would stop taking evidence at twelve o'clock.

The VICE-CHAIRMAN: I have just given him one minute, Mr. Goode.

Mr. HIGGINS: This point is so very important, this question of supply. I am just going to read from the actual transcription. This is the question.

Some Hon. MEMBERS: Order, order,—

Mr. HIGGINS: Mr. Green asked the following question yesterday and you answered:

Q. Nobody on this committee is objecting to building the main line to serve Canada and to have the surplus carried off to the States?—

A. It will have to be more than that.

Q. How do you mean it will have to be more than that?—A. There will have to be an agreement that the States will be served.

Q. That the States will be served?—A. Yes and we can trust to that agreement.

Q. Well, will there have to be an agreement that the States will have to be served before Canada?

And this is the point I am getting at.

A. I do not know about that; that would be something that would have to be determined.

Now, further on the question then says on the same point.

Q. You did not get my question. You were asked a similar question in the Senate committee: "Would it be possible for this line to run through American territory but not to serve American points until Canadian points are served,"—and your answer was: "No, that would be utterly impossible".

*By Mr. Higgins:*

Q. What is your answer to this question now? Mr. Green put your evidence in the Senate to you, and that was the answer he read to you.—

A. Well, you cannot bring gas along such a route "B", bring it back up to Canada, and then have another line going down from there duplicating the two lines.

Q. The only question I put to you arising out of that is this: is the situation just as it exists, that if these lines are going to be mainly built through the United States, that then the United States would have the first say as to where the gas went, is that the position?—A. No.



Q. Well, that is a direct contradiction of what you said?—A. No, not at all.

Q. Will you explain why it is not?—A. Because there would be an agreement made that the Canadian needs would be served. What I was trying to say is you would have to have an agreement that the United States needs would also be served with the gas that was remaining after the Canadian needs were served.

Q. But would it not be that the United States needs would have to be served first, because that is what you said?—A. That is not what I said.

Q. May I read it once more?

Some Hon. MEMBERS: No, no. Order.

*By Mr. Higgins:*

Q. Only on that one question. I will sit down but there is no need to be nasty about it.

Mr. MAYBANK: Sit down pleasantly.

Mr. HODGSON: I move we stay on evidence for another half hour.

The VICE-CHAIRMAN: Now, we will work through the bill.

Mr. MAYBANK: I take it the evidence is on the preamble.

The VICE-CHAIRMAN: Shall the preamble carry?

Carried.

The VICE-CHAIRMAN: Section No. 1. Order, please.

Any questions on section No. 1.

Mr. SMITH: I want to ask a question about procedure if I may. Now, we have been stopped asking questions at twelve o'clock.

Mr. LAFONTAINE: That was agreed to last night.

Mr. SMITH: Are we also precluded from asking questions of anyone who is here with respect to the various sections?

The VICE-CHAIRMAN: I think you are entitled to ask questions on the sections.

Mr. ROBINSON: I could not hear what you said, Mr. Chairman.

The VICE-CHAIRMAN: You are entitled to ask questions on the sections.

Section 1.

Mr. SMITH: I want to ask a question with respect to Section 1, and that is whether or not these people who are mentioned in the bill are contributors to the preliminary expense of the undertaking?

Mr. LAFONTAINE: That was answered yesterday.

Mr. CONNOLLY: They are all contributors, Mr. Smith.

The VICE-CHAIRMAN: Section 1 carried?

Carried.

Mr. FERGUSON: I would like to ask a question. Is Austin Taylor on the Board of the British Columbia Electric Company?

Some Hon. MEMBERS: No.

Mr. FERGUSON: Is Mr. MacMillan on the Board of the British Columbia Electric Company?

Some Hon. MEMBERS: No.

Mr. FERGUSON: How many witnesses and chairmen are there in this meeting?

The VICE-CHAIRMAN: We are on section 2.



Mr. SMITH: I want to ask a simple question about section 2. The section reads:

The persons named in section one of this Act shall be the first directors of the company.

How many directors does your incorporation provide for other than those?

Mr. CONNOLLY: None, Mr. Smith.

Mr. SMITH: Then, you are in the position of having permanent directors who are the persons named here. You cannot change it, can you? You are a lawyer.

Mr. CONNOLLY: That is true, that is true.

Mr. SMITH: So from now on until a new statute is passed in this Parliament these gentlemen living or dead are the permanent directors of this company.

Mr. CONNOLLY: No, Mr. Smith, the shareholders meeting of course will elect the directors annually.

Mr. SMITH: Well, your answer to me a moment ago was, I gather, an error.

Mr. CONNOLLY: No, these will be the first directors of the company and they will remain in office until they are changed.

Mr. SMITH: Then, no doubt, there is something in your bill which provides for that.

Mr. CONNOLLY: Oh, yes.

Mr. SMITH: Where is it?

Mr. CONNOLLY: Perhaps you might say this, sir, that the general law that governs companies as provided in Part III of the Canadian Companies Act, provides for that.

The VICE-CHAIRMAN: Shall section 2 carry?

Mr. GREEN: Is it the intention that these incorporators are to be the regular directors of the company or are there to be some changes?

Mr. CONNOLLY: As I am advised Mr. Green, these will be the original directors of the company. How long they will remain in office will depend upon the shareholders' meeting which will be held annually.

Mr. GREEN: There is no intention in making any change in the near future.

The VICE-CHAIRMAN: Shall section 2 carry?

Carried.

We are now on section 3.

Mr. ADAMSON: I would like to ask a question on section 3. The Securities Exchange Commission will unquestionably have the say on the formation of the company as to the type of capital stock. It seems to me you are limiting yourselves to one class of stock of \$12½ million par value. Does that or does that not preclude you from issuing prior securities such as bonds?

Mr. CONNOLLY: No.

Mr. ADAMSON: You can issue bonds above and beyond this amount or you can issue units of bonds and common stock as well?

Mr. CONNOLLY: Bonds and debentures can be issued in the same way as any mortgage security is issued for the purpose of financing the undertaking. They would be in the nature of debt securities.

Mr. GREEN: What are the plans for the issuing of stock? How much do you intend to issue in the near future?

Mr. CONNOLLY: Well, I think, generally speaking, the answer to that would be this, Mr. Green: on route "A" about \$54 million to \$55 million of debt securities for preferred stock would be issued, probably mortgage bonds, and the balance of money required would be through the sale of common stock. The balance of some \$12 million would be through the sale of common stock.



Mr. GREEN: Your plan is to put all of the common stock on the market in the future?

Mr. CONNOLLY: No, I do not think so. I do not think there is any definite plan as to how it is to be done.

Mr. GREEN: You are planning an issue of \$55 million in bonds?

Mr. CONNOLLY: Up to \$55 million in bonds and \$12 million in stock. Just when it is to be issued or how soon it is to come on to the market will depend on developments.

Mr. GREEN: You are not planning to issue any preferred shares?

Mr. CONNOLLY: At the moment, there is no definite plan about issuing preferred shares.

Mr. GREEN: You are not taking the power to do that in the bill?

Mr. CONNOLLY: It is not specifically set out in the bill but as you come to a further section you will see that there is a provision under the Companies Act, which is applicable to us, whereby preferred shares can be issued if required.

Mr. GREEN: What percentage of the company stock is to be held by the people who are associated in this company?

Mr. CONNOLLY: The intention of the people behind the company is to sell the common stock both in the United States and in Canada. Let me say, first, as to the percentages I think there is no specific plan laid down as yet.

Mr. GREEN: How much is to be held by the people associated in the undertaking?

Mr. CONNOLLY: Mr. Dixon says it is impossible to determine. There is no intention of shutting out the public as potential buyers of the common stock or of the bonds.

Mr. GREEN: You cannot say what the intention is with regard to these common shares, as to what proportion is to be held by the people associated in the incorporation?

Mr. CONNOLLY: Ultimately, I suppose every purchaser of common stock will be associated in the enterprise. You mean the people who are now in it? There has been no determination of that point.

Mr. FERGUSON: \$55 million of bonds or ordinary stock will be issued, and the common stock to be sold will be in the total amount of \$12 million?

Mr. CONNOLLY: Yes.

Mr. FERGUSON: That is roughly \$67 million?

Mr. CONNOLLY: Yes.

Mr. FERGUSON: That is the money you believe you will require for this project?

Mr. CONNOLLY: Yes, for the line in Canada.

Mr. FERGUSON: Are you issuing a different type of security in the United States for that part of the line?

Mr. CONNOLLY: No, I think the securities to be issued in the United States will be the same type of securities that will be issued in Canada. Of course, there is this to be said, the Foreign Exchange Control Board may have a good deal to say about the plan of financing, and so will the Securities Exchange Commission and all of the authorities under the Blue Sky laws.

Mr. FERGUSON: The Securities Exchange Commission will want to know how many shares will be received by the owners? Will we get that information here?

Mr. CONNOLLY: None have been issued.



Mr. FERGUSON: The Securities Exchange Commission will ask the question and they will make you reply or you will not sell any stock.

Mr. CONNOLLY: They will have issued to them what they buy.

Mr. FERGUSON: And they will also have issued to them what they will get as promotional stock?

Mr. CONNOLLY: I am informed that we do not believe there will be any stock issued as promotional stock.

Mr. FERGUSON: The balance of this financing will be with American securities?

Mr. CONNOLLY: Yes, for the section of the work to be done in the United States.

Mr. FERGUSON: There will probably be four different types of securities?

Mr. CONNOLLY: Well, just how many different types of securities I think has not yet been determined but generally speaking there will be common stock available and there will be bonds.

Mr. FERGUSON: Have you any idea of the amounts of bonds and stocks that will be sold in the United States?

Mr. CONNOLLY: Again, it depends upon what route is to be built. I am talking now about the Canadian route, that is on route "A" there would be about \$20 million to \$22 million that would have to be financed from American sources.

Mr. FERGUSON: Well, if they had a stock set up they would not necessarily sell all the stock. Surely they have a plan of stock set up at the present time for the entire stock issue for alternative routes?

Mr. CONNOLLY: My instructions are that there is no definite final plan for the financing. Times change and Conditions change, and there is a great deal to be done before they get to the point where they can determine it.

Mr. FERGUSON: But we are passing this charter, as far as Canada is concerned, for its operations exclusively in Canada. Is there any company that will be set up in the United States that will in turn control this company?

Mr. CONNOLLY: The Northwest Natural Gas Company will be the company that will do the operating in the United States. Either the Northwest Company will be a subsidiary of Alberta Natural Gas, or Alberta Natural Gas will be a subsidiary of Northwest, and it is not yet determined what is the best arrangement to be made in that respect.

Mr. CARROLL: Nobody can be in control of this company unless they have a majority of the common stock.

Mr. FERGUSON: The S. E. C. will ascertain who controls this company, who the subsidiary companies are going to be, before they will be permitted to sell one dime of stock even with an Indian's head on it.

Mr. CONNOLLY: That is quite right, sir.

Mr. FERGUSON: They will want to know who is in control of charters in the United States, we should know who controls this company and who has control of this charter.

Mr. RILEY: What company are you talking about?

Mr. FERGUSON: I am making a reference to all companies.

Mr. RILEY: There is not any company and you should know that.

Mr. FERGUSON: We are asked to grant a charter with a certain board of directors and that board of directors will not have very much to say if they are under the control of an American corporation any more than any subsidiary board of directors. This is your Canada and this is your birthright. I am trying to find out who is going to control this corporation.



Mr. CARROLL: You cannot find that out until the common stock is sold.

Mr. FERGUSON: Well, the Securities Exchange Commission will know who controls this company and what stock is going to be sold and I will venture to say that these men who are promoting this project know it right now in their mind.

Mr. CONNOLLY: That is not so, sir, they do not.

Mr. FERGUSON: Well, they are now going to start to form a control over another company and decide which company is going to control the other, and we are saying here is a charter: do what you like with it. Now, there is no doubt about that, gentlemen.

Mr. SMITH: I want to know—if you do not want to tell me that is fine—where they anticipate control of this company will ultimately rest? Let me agree with Mr. Carroll that it will rest with the shareholders, but we are not here all so simple that we do not know that some companies control other companies by stock holdings. Now, where is it anticipated—I use no stronger word—where is it anticipated that control of this company is going to rest? Will it be with a Delaware corporation?

Mr. CONNOLLY: The Northwest?

Mr. SMITH: A company incorporated in the State of Delaware. Is it with that one or will it be in this one here? There are many ways of getting rid of stock other than for cash. You can issue stock for services, you can issue it for properties or anything of that kind. Where does Mr. Dixon anticipate control of this company will ultimately rest?

Mr. CONNOLLY: Well, Mr. Smith, I do not want to interfere with your question to Mr. Dixon.

Mr. SMITH: I beg your pardon.

Mr. CONNOLLY: Perhaps Mr. Dixon should step in now and have something to say about where control of the company will rest. As Mr. Carroll said, it will be wherever the majority of the stock is sold. Now, if it is purchased by Northwest, then that would be where the control is, but as I said, and as Mr. Dixon has said, the intention is to sell the securities of this company on the American and on the Canadian market. I think perhaps it might be a fair assumption to make, that all the money required for this project may not be able to be secured from Canadian sources.

Mr. SMITH: I think you are right on that.

Mr. CONNOLLY: So there will certainly be some American money that will have to find its way into this company. It will depend on how much Canadian money is available. May I say this to you, sir, there is no intention at the moment of channelling any specific amount of stocks in any specific direction?

Mr. SMITH: May I ask you this? Let us take a concrete illustration, because this is the way companies are operated. In selling your preferred securities, be they bonds or preferred shares, do you intend to give a bonus of common stock? In other words, let us assume that your chief backer, which is Morgan, Stanley & Co., agreed to put up so much money. Now, Morgan, Stanley are not going to put up the major portion of the money unless they have control of the operation. That can be done in various ways. It can be done by giving Morgan, Stanley a bonus of common shares or it can be done by Morgan, Stanley purchasing a block of common shares. I use Morgan, Stanley's name merely because they are mentioned in the application. I would like to ask where do the promoters, who are before us, anticipate the control of the company will come to rest?

Mr. DIXON: Well, I can say this, that I know the last thing in the world the bankers want is control.



Mr. SMITH: What do you regard as control in a company this size, 30 per cent stock ownership?

Mr. DIXON: Well, it can be practically nothing in one company. A large gas company that you know very well is absolutely controlled by a man who has no interest whatever in it.

Mr. SMITH: There are ways of doing it.

Mr. DIXON: That is an extreme example. It may be in a company where there is a fight for control 50 per cent will not control the company.

Mr. SMITH: Very rarely.

Mr. DIXON: And although I do not expect to have but a small amount of stock I hope to keep control.

Mr. GOODE: I am convinced in my own mind that the control of this company financially will be in the United States. I have no doubt of that. But is there any difference between your financing and any others? Where is the financing to be accomplished for the Westcoast Transmission Company? Is that to be done in the United States, too?

Mr. DIXON: The Westcoast, I do not know, I have no idea.

Mr. GOODE: Mr. Connolly, could you answer that?

Mr. SMITH: I can answer it if you will take my answer.

Mr. HIGGINS: I take it in accordance with the usual practice in a big corporation of this type that before you can get into the business that you must have some definite commitments with people who are going to take up stock in this company. That is the usual procedure. Do you already have very large commitments to take up stock in the company?

Mr. DIXON: No, we have no commitments.

Mr. HIGGINS: None at all of any kind?

Mr. DIXON: Except the bankers saying that they will underwrite the securities.

Mr. HIGGINS: But how large an amount will the bankers underwrite?

Mr. DIXON: All of them.

Mr. HIGGINS: The entire issue of stock will be underwritten by the bankers?

Mr. DIXON: Yes.

Mr. FERGUSON: You have already stated that the bankers have agreed to take up the entire financing.

Mr. DIXON: This is underwriting; that does not mean they buy it for themselves.

Mr. FERGUSON: They buy it for themselves or their clients. This group of brokers in Canada and the United States—

Mr. DIXON: They make an agreement to buy and try to sell it before they get it.

Mr. FERGUSON: Oh, yes, they might even have it sold now to their clients, but they do not negotiate with their clients, or make guarantees, not the brokers on this list, unless they have had some idea of the class of stocks that are going to be issued. Now, have you had any discussion divulging to these bankers the classes of stocks that are going to be issued, the amount of stock to be issued in the American company?

Mr. DIXON: We had discussions, yes.

Mr. FERGUSON: Did you arrive at any figures?

Mr. DIXON: Well, I can give percentages.

Mr. FERGUSON: What percentage of the first securities?

Mr. DIXON: Bonds? I have already testified in regard to that.



Mr. FERGUSON: No, that is in Canada as far as I can remember. Now, the American company?

Mr. DIXON: This will be the same thing exactly in our plans.

Mr. FERGUSON: What amount, tentatively, of first securities will be issued for the American company?

Mr. DIXON: About 75 per cent of bonds.

Mr. FERGUSON: In value about \$75 million?

Mr. DIXON: 75 per cent of the total amount of money that will be taken in. We hope we will be able to sell mortgage bonds.

Mr. FERGUSON: And have you any idea of what the value of those mortgage bonds will be?

Mr. DIXON: \$1,000 units.

Mr. FERGUSON: \$75 million, is that right?

Mr. DIXON: You are covering too much territory. There are so many things that are not now determined as to what company will own what interest in the other.

Mr. FERGUSON: You are not perturbed. You are going to issue \$55 million and \$12 million to build the Canadian part of the line?

Mr. DIXON: Well, it depends upon how much mileage is to be built.

Mr. FERGUSON: Well, take route "B", for instance. How much securities will be issued for route "B" in Canada?

Mr. DIXON: I cannot say, that is impossible to determine now. It will depend on the money market.

Mr. FERGUSON: Gentlemen, we are granting a charter with no capital set-up, I think. It is not determined which route will be followed. Is that correct? I am asking the witness if that is correct? We are giving you a carte blanche charter, a blank cheque with no set-up of the securities to be sold or the framework of this company. What is the stock set-up of this company that is asking for a charter.

Mr. ROONEY: Do you not think he has already answered that right here? I say he has.

The VICE-CHAIRMAN: Order.

Mr. FERGUSON: Mr. Dixon, will the securities to be issued depend on the route?

Mr. DIXON: It will be certainly a year before any securities can be issued on this.

Mr. FERGUSON: Issued? What is the set-up?

Mr. DIXON: I have not this set-up, it is impossible for us to know now how a hundred million dollars in three companies can be gotten together most advantageously. We just cannot see that far into the future.

Mr. FERGUSON: I am quite positive if I was setting up a company I would have so many primary securities and so many secondary securities that I would utilize to finance my project. I would know the amount of securities that I might require from the treasury, because in the treasury there are so many shares or so many bonds. This company must have a stock set-up.

Mr. DIXON: You are wrong. We have no stock set-up at all.

Mr. CONNOLLY: Perhaps this might help. There are three branches to this project. There is a branch that has to do with the building of the grid system and a branch that has to do with the building of the main pipe line, one part of which is in Canada and the other part of which is in the United States. This company is asking for capital stock of 1,250,000 shares of a par value of \$10 per share.



Mr. FERGUSON: Do you consider that the 1½ million shares are adequate for the project?

Mr. CONNOLLY: Yes.

Mr. FERGUSON: That will only give you about \$12 million.

Mr. CONNOLLY: Perhaps, if I might just finish.

Mr. CARROLL: I do not think we should allow ourselves to get mixed up between the capital stock of the Company and the bonded issue, the preferred stock and debenture stock.

Mr. ROONEY: May I ask a question?

Mr. CONNOLLY: Perhaps if I may say this: The underwriters have formally agreed to find the money that is required. They will find it by selling common stock or they will sell bonds or debentures as the case may be. If it is decided that route "A" will be built the money that will be required to build route "A" will be in the neighbourhood of some \$66 million. That will be financed by selling securities to the public not only in the United States but in Canada. I think from what we showed yesterday by the letters from the various brokers and bankers in Canada that there will be ample opportunity for the public in Canada to participate in this very desirable type of investment. They will get some \$54 million to \$55 million in bonds or debentures and from the sale of stocks they expect to pick up another \$13 million. Now, the plans, as Mr. Dixon has said, has not yet been formulated and I think, from what Mr. Dixon has said, at the moment it cannot be formulated. But that is the general plan. I would not want the committee to feel, and I do not think that any member of the committee feels, that we are trying to hide behind anything when we say that. I think what we are trying to do is to give you everything we have at the moment on what the plans are as we have them. There does not seem to be anything more that I can say.

Mr. HERRIDGE: Mr. Connolly, just to clear up a point in my mind, Mr. Ferguson asked you the amount of common stock or other securities to be sold to build route A and I think you said the total was about \$66,000,000? On the plan, however, it is stated that the cost would be \$79,000,000?

Mr. CONNOLLY: Yes, but there is this difference. A part of route "A" is to be built in the United States—I am talking about route A. There is a good deal of the line that has to be built in the United States and I am talking only of the portion that has to be built in Canada.

Mr. ROONEY: The chances are that you will issue your bond debenture bearing bonds to \$54,000,000 or \$55,000,000. You will endeavour, if possible, I would think, to keep those bonds down as low as possible on account of the fact that they will cover a mortgage on the whole equipment and that is a carrying charge that has to be looked after every year—that is an interest charge.

Mr. CONNOLLY: That is right.

Mr. ROONEY: You will endeavour, on the other hand, to sell as much common stock as possible because you have not got any set charges on that. In my opinion that is the ordinary set-up of big companies. I have had some experience in these matters and I have known of Mr. Dixon for some twenty years. To me this is just ordinary procedure.

Mr. SMITH: In response to that may I say that I disagree with you entirely on the first statement you made—that is for all this common stock. If you are right, in an enterprise costing \$70,000,000 why should they only issue \$12,000,000 worth of common stock—which would be the answer to everything you have said.



Mr. ROONEY: I understand from the explanation given by Mr. Connolly that to make up the difference of the cost in the United States there would be a different set-up.

Mr. FERGUSON: Can you say, Mr. Connolly, whether the bonds that would be issued would be convertible to common stock?

Mr. CONNOLLY: The bonds—no, I think the bonds would not be convertible.

Mr. FERGUSON: There would be no option?

Mr. CONNOLLY: Not on the bonds.

Mr. SMITH: Follow the Imperial Oil—you might learn something about that.

Mr. FERGUSON: That is what I am getting at. It is all very well to say that the stock is going to be offered but I do not think for a moment that any promoter of the education and intelligence of Mr. Dixon is going to give a certain block of stock if it is not convertible. It may be one of these cases where the par value is \$100 but they jump from \$100 to \$300. You have already said yourself that this is a very attractive investment.

Mr. CONNOLLY: Normally it is.

Mr. FERGUSON: I do not think that anyone in this room is going to pass up any attractive investment if they know positively that they can convert bonds over to common stock and watch it jump to \$300. I am honest—and I would say I would like to be on the inside of that deal.

Mr. MURRAY: Question.

Mr. GREEN: Mr. Chairman, I presume that the financing is to be arranged for all three companies together. I mean that it is an integrated plan to cover Northwest Natural Gas Company, which is to operate all the pipe lines, and the Alberta Natural Gas Company which is to operate the pipe line in Canada from Pincher Creek west, and the Alberta Natural Gas Grid Company which is to operate the grid system in Alberta. But there really is one general plan?

Mr. CONNOLLY: It is to be looked at as a whole.

Mr. GREEN: It is to be looked at as a whole and the people in charge of that are Morgan Stanley and Company of New York.

Mr. CONNOLLY: They head the banking group.

Mr. GREEN: They are really the people who are arranging the finances?

Mr. CONNOLLY: They have underwritten the enterprise.

Mr. GREEN: The whole enterprise? This is a whole integrated plan, that is correct, is it not?

Mr. CONNOLLY: That is right.

Mr. GREEN: And Mr. Dixon told me yesterday that Mr. Cortelyou Ladd Simonson of the city of New York, investment banker, is the representative on the directorate of Alberta Natural Gas Company from Morgan Stanley and Company? There is no doubt about that?

Mr. CONNOLLY: That is correct.

Mr. GREEN: Is there any other financial house represented on the directorate of this Alberta Natural Gas Company?

Mr. CONNOLLY: None as such. They may have connections with financial houses but they are not there for that purpose.

Mr. GREEN: The one man who is a director of this company because he represents a financial house is Mr. Simonson?

Mr. CONNOLLY: Yes.

Mr. GREEN: And he is representing Morgan Stanley and Company?

Mr. CONNOLLY: He is a partner in Morgan Stanley and Company.



Mr. GREEN: There is no question that Morgan Stanley and Company are going to control this company?

Mr. CONNOLLY: No, that is not so. As Mr. Dixon has said they do not want control of the company; they are underwriting the project.

Mr. GREEN: Well they are the people who are responsible for getting this money and certainly it looks as though they are sitting in a position where they can affect the control of this company?

Mr. CONNOLLY: No, I do not think so, Mr. Green. I do not think you could infer from what has been said that that is the case.

Mr. GREEN: What about the other two companies—have they got directors on the directorate of each of those other two companies too?

Mr. CONNOLLY: They are not represented on the board of Alberta Natural Gas Grid.

Mr. GREEN: What about Northwest Natural Gas?

Mr. CONNOLLY: Mr. Simonson is a member of the board of Northwest Natural Gas.

Mr. GREEN: Mr. Simonson is also a member of Northwest Natural Gas?

Mr. CONNOLLY: With other financial people.

Mr. GREEN: Are there any other Canadians on the board of Northwest Natural Gas?

Mr. CONNOLLY: Oh, yes.

Mr. GREEN: Who are they?

Mr. CONNOLLY: Eric L. Harvey, of Calgary; H. R. MacMillan of Vancouver; Autsin C. Taylor of Vancouver; and William A. G. Kelly of Toronto.

Mr. GREEN: When you were being examined in the Senate you were asked this questions: "Where will the stock control be?" Your answer was: "I would think the stock control would probably be in the United States, sir." Are you wanting to change that answer today?

Mr. CONNOLLY: I would think this, Mr. Green: Certainly things have changed a good deal since then, but I think the stock control will be wherever this stock is sold, and, as I said, there will be ample opportunity for Canadians to buy. Now, if they should buy—

Mr. GREEN: Will you say today that the stock control is going to be in Canada?

Mr. CONNOLLY: I do not think I can say it will be in any specific place today.

Some Hon. MEMBERS: Carried.

The VICE CHAIRMAN: Section 4—head office and other offices?

Mr. GREEN: In this section it is provided for the establishment of other offices and agencies elsewhere within or without Canada as it deems expedient. Now where are these other offices and agencies to be?

Mr. CONNOLLY: There are not any plans, Mr. Green, for having offices elsewhere at the moment.

Mr. GREEN: You have no plans whatever for offices or agencies other than in Edmonton?

Mr. CONNOLLY: That is all, sir; yes.

Carried.

Mr. SMITH: You would not expect me to agree to having the head office in Edmonton instead of Calgary.

The VICE CHAIRMAN: Section 5—General Pipe Line Act to apply.

Carried.



## Section 6—powers of the company.

Mr. CARROLL: It says in subsection (c) "exercise as ancillary and incidental to the purposes or objects set forth in this act, the powers following, unless such powers or any of them are expressly excluded by this Act, namely the powers set forth in (a) to (bb) inclusive of subsection 1 of section 14 of the Companies Act, 1934". This section provides these ancillary powers will be available to this company which, although it is incorporated by charter.

Mr. GREEN: This section 6 is the section giving the company or setting out to the company its various powers and I would like to move an amendment, seconded by Mr. Smith, as follows:—

After the word parliament, and subject to the condition that it may export gas or oil to the United States only to an amount in excess of the amount required by consumers in Canada.

Now, with that amendment the first paragraph of this section 6 would read as follows:

The company, subject to the provisions of any general legislation relating to pipe lines for the transportation of gas or oil or any gaseous or liquid products or by-products thereof which is enacted by parliament, and subject to the condition that it may export gas or oil to the United States only to an amount in excess of the amount required by consumers in Canada, may

and then the section will go on to set out more specifically the different powers.

Now, I suggest to the members of the committee that an amendment of that type is necessary for the protection of Canadian consumers. After all, this is Canadian gas, and also it will be Canadian oil. Let us not forget that this bill gives power not only to transmit gas but also to transmit oil, and in my opinion in the long run the power to transport oil may be of considerably more importance than the power to transport gas. In any event, both these powers are being given. Now, it is admitted by the witnesses that the bulk of this gas is going to be taken down to the United States. They do not make any bones about that. They said only about 20 per cent would be used in Canada. Under all the conditions an amendment is required.

In the province of British Columbia we have always been faced with competition from Washington and Oregon, and we always will be because our products are very much the same as theirs. Our main industry is the lumbering industry, just as theirs is, and we have, of course, mining and fishing. Our population, however, is smaller than the American population in these two adjoining states and their products of the soil mature earlier than ours because of their location further south. They have a home market ten or fifteen times more than ours, and we are always on the bottom of the heap.

Mr. MURRAY: Where are we on the bottom of the heap in the lumbering business?

Mr. GREEN: Their production is larger than ours.

Mr. MURRAY: We get into their markets. We get into the American markets.

Mr. GREEN: If you would look after Peace River and Caribou better than you have been doing it would be much better for British Columbia.

Mr. MURRAY: I might tell you that there are one hundred and twenty saw-mills in my constituency depending on the American markets. You would shut them down, close off our markets, and turn the employees of those mills on to the street.

Mr. FERGUSON: Poor old Caribou!

Mr. MURRAY: I might say that we are hauling lumber up there one hundred and twenty miles to the railway.



The VICE-CHAIRMAN: Would you let this section 6 stand over and go on to the next section and we will take it up after?

Mr. GREEN: I would ask that it be dealt with now.

The VICE-CHAIRMAN: All right.

Mr. GREEN: For these reasons and also because I submit that it should be the policy of the Canadian parliament to serve Canada first rather than serving Americans first, when it comes to our natural resources\*—for these and other reasons I would ask that the committee accept this amendment.

Mr. MAYBANK: I just want to draw attention to the clock. I do intend to speak but not at the moment. There is a word I would like to say on it, but not at the moment. We are getting very close to adjournment time and I was wondering about sitting this afternoon. I move we sit a little earlier this afternoon, commencing at 3:30.

Mr. CARROLL: I, for one, cannot support that resolution. I do not know much about powers of the various organizations that this company must go before before they get the right to put that bill into effect. I think we should have the advice of parliamentary solicitors, as to the powers of this parliament before passing the motion that was tendered here by Mr. Green.

Mr. MAYBANK: I move that we adjourn.

The VICE-CHAIRMAN: There is a motion before the committee for adjournment and to meet at 3:30.

All those in favour signify.

Opposed?

I declare the motion carried. We will meet again at 3:30.

Mr. SMITH: I am opposed.

—The committee adjourned until 3:30 o'clock p.m.

### AFTERNOON SESSION

The VICE-CHAIRMAN: Gentlemen, we have a quorum.

Mr. MOTT: Mr. Chairman, I would like to say a few words in regard to the amendment to the motion made by the honourable member from Vancouver-Quadra. I would like to say that, as far as the amendment goes I do not think it was necessary to go into such lengthy details in regard to some of the remarks which were made. I come from British Columbia and I speak from the labour man's point of view. We have some ten thousand employees employed in the lumber industry, and in reference to the remarks which the honourable member made today in regard to lumber being shipped to the United States and the attitude of the United States towards that lumber being shipped, I think—

Mr. GREEN: On a question of privilege, Mr. Chairman, I did not say anything at all about lumber being shipped to the United States.

Mr. MOTT: In dealing with the United States you mentioned lumber.

Mr. GREEN: I did not mention one word about selling lumber to the United States.

The VICE-CHAIRMAN: Well, Mr. Green makes the statement that he did not mention lumber.

Mr. MOTT: Well, I maintain that he did make reference to it, and that it will be found on the record; and along with the other statements that he made about our being on the short end at all times in reference to the United States. I do not think we should bring that sort of international small mindedness, or



small views into this discussion whatsoever. We in British Columbia, especially those of us who are on the Pacific coast, must depend largely for our trading upon the United States, and I do not think we should try to put an amendment before this committee and use an argument of that type.

We have depended on the United States for years and years. I myself have worked with an Imperial Oil Refinery in the east and I know that we had to depend on the United States; and moreover, they have given us the automobiles which we have today which are gasoline driven. I do not think the honourable member should have used an argument along those lines to try to place an amendment before this committee.

And mention was made that no oil should go out of Canada until the Canadian need is fulfilled. We know that in the other bill which was passed in the House, mention was made of but two provinces in Canada, two provinces. I would like to stress this: does he mean that no export of gas can go out of the Dominion of Canada until Canadian needs are fulfilled?

Would that mean that we must wait for Winnipeg, and wait for London, Ontario, and Toronto to say: We need gas, but it cannot be exported until after the requirements of those particular cities and provinces are fulfilled from Alberta? Mr. Chairman, I think the amendment is really ridiculous and I am not going to vote for it. I think these things should be brought out because we have heard these remarks before in regard to these oil bills.

A question was asked here yesterday, I think, where the same gentleman talked about bringing gas down through the Yellowhead and oil down through Kamloops and back through Kelowna and piped over the mountains to Trail, some ten hundred miles; but we have been told within the last few days by experts that it is practically impossible—not impossible perhaps, but certainly not a profitable thing to do. We have listened to many of these things and I think we should take objection and place it on the record. I have the chance to do so at this time, and I am against the amendment on this ground. Had the consumers anything to say on the coast regarding how much they are going to pay for gas? I think this bill is wide open the same as the other one and I think it has got to be determined by the board which route is going to be chosen.

These people have come here and offered us five routes and they are going to offer us a sixth route. Are we going to tie an amendment on a bill of that type? Mr. Green may stand up at the coast and tell the people that I was the cause of their paying \$1 million more for their gas than would otherwise have been the case. I hope that he does because we have been reading his remarks in the papers ever since this thing started.

MR. GREEN: Go right ahead.

MR. MOTT: I am sorry to hear Mr. Green make a remark of that type and to have him place it on the record here. Therefore, when this statement comes up for the vote, I shall vote against it and on this particular ground.

MR. APPLEWAITE: I would like to speak to the amendment and directly to the amendment. I believe the amendment has been introduced with the one and only idea of protecting possible Canadian purchasers against export to the United States of gas which they, the Canadians, should have issued for them to use. That has already been done. I should now like to read to the committee a few short but appropriate sections of the Electricity and Fluid Exportations Act, being chapter 54 of the revised statutes of Canada 1927:

Section 5, subsection 1 reads as follows:

V. No person shall export any power or fluid without a licence, or any power or fluid in excess of the quantity permitted by his licence, or otherwise than as permitted by such licence.



I shall now read section 6 subsection 1:

VI. Subject to any regulations of the Governor-in-Council in that behalf, the Governor-in-Council may grant licences, upon such conditions as he thinks proper, for the exportation of power or fluid where a right to export exists by lawful authority.

And I shall now read section VII subsections 1 and 2:

VII. Any such licence may provide that the quantity of power or fluid to be exported shall be limited to the surplus, after the licensee has supplied for distribution to customers for use in Canada power or fluid to the extent defined by such licence, at prices and in accordance with conditions, rules and regulations prescribed by the Governor-in-Council.

(2) Every such licence shall be revocable at will by the Governor-in-Council if the licensee refuses or neglects to comply with any of the conditions imposed with regard to the supply and distribution of power and fluid in Canada.

That is the end of the quotation and I suggest that this amendment is absolutely unnecessary as a matter of practical effect because it has already been fully provided for. And I submit further—although I am not an expert—that it is bad law and worse practice to try to restate the general law in what is a private bill; and further than that I think you might well take into consideration the question of whether or not such a procedure is or is not out of order.

Mr. HERRIDGE: I would like to say a few words, Mr. Chairman, in support of Mr. Green's amendment of which I heartily approve. I support it for the reasons which I will state later and I support it first, though, on principle, the very principle around which the debate in the House revolved; that is, the determination of a number of members of this House of Commons to protect the interests of Canadian people in their desire to use Canadian natural resources. We are not satisfied today that Canadian interests are being protected in this respect. We are here to protect their interest, and I am quite sure that the members of the committee, if they remember the debate in the House of Commons and the remarks of the Right Hon. C. D. Howe, and if they listened to the evidence which was submitted to this committee, will come to the conclusion that we do not by any means have a definite assurance that Canadian requirements are going to be met and Canadian interests protected.

To support that statement I want to read from the Hansard of March 15, which is volume 90, No. 20. And on that day Mr. A. C. Stewart, the hon. member for Yorkton—

Mr. MAYBANK: What page are you reading from?

Mr. HERRIDGE: It is page 791. I am glad you are being so exact in this matter, Mr. Maybank.

Mr. MAYBANK: I thought you wanted to be and had left it out.

Mr. HERRIDGE: On that day, as I was saying, Mr. A. C. Stewart of Yorkton asked the following question:

Mr. A. C. STEWART (Yorkton): I should like to direct the following questions to the Minister of Trade and Commerce. Have any representations been made to him by the C.C.F. government of Saskatchewan with regard to protecting Saskatchewan so far as export of oil and gas from Alberta is concerned? What is the policy of the minister with regard to the granting of permits for pipe lines from Alberta to the United States?

And in reply to that question the Right Hon. C. D. Howe (Minister of Trade and Commerce) had this to say:

The answer to the first question is that I have no knowledge of any representations from the province of Saskatchewan in that connection. In answer to the second question I would say that I spoke on this subject



at the last session of parliament and pointed out that the Electricity and Fluid Exportation Act is designed to protect Canadian consumers. It is necessary under the Act for the Minister of Trade and Commerce to give a certificate to the effect that the present and foreseeable future needs of Canada are protected before any exports of electricity or gas are permitted. It has been suggested frequently in the current debate that gas will be sent to the United States from the pipe line before the pipe line reaches Vancouver. I stated last session that that would not be permitted. I know from discussions with the sponsors of the pipe line that it is not proposed to undertake any such export.

That statement is to be effect that the minister is not going to permit the export of gas to the United States prior to its reaching Vancouver. Then the hon. member for Fraser Valley was not quite sure that he understood the question correctly and on Friday, March 17, he asked the minister a question which is to be found on page 850 of *Hansard*, where Mr. G. A. Cruickshank, the hon. member for Fraser Valley asked the following question:

I should like to direct a question to the Minister of Trade and Commerce. I was not in the house yesterday when the orders of the day were called, but I note that the minister is reported on page 792 of *Hansard* as having said:

It has been suggested frequently in the current debate that gas will be sent to the United States from the pipe line before the pipe line reaches Vancouver. I stated last session that that would not be permitted. I know from discussions with the sponsors of the pipe line that it is not proposed to undertake any such export.

Am I to understand from that statement that no export permit will be granted other than through an all-Canadian route?

Then, the Right Honourable C. D. Howe, (Minister of Trade and Commerce) replied:

Several members of the house have given information that they obtained from the principals behind the bill, and I have given information that I obtained from the principals behind the bill. I might say that I cannot understand the unnatural fear that certain hon. members have of letting these men come before a committee of the house where members of the house could find out what they intend to do.

To which Mr. Cruickshank replied as follows:

I take it the minister is not going to answer my question. Is that correct?

Now, Mr. Chairman, a very careful reading of Mr. Howe's answer to Mr. Cruickshank shows that with regard to many people concerned, there was at least the element of doubt in their minds. I refer particularly to his second answer, because his first answer is quite definite. No export is going to be permitted from Canada prior to the line reaching Vancouver. His second answer on the page following certainly leaves the element of doubt. Now, Mr. Chairman, it is because of that in the first instance that I am supporting this amendment.

The CHAIRMAN: Mr. Herridge, did you listen to what Mr. Applewhaite said when he was speaking?

Mr. HERRIDGE: Yes, I listened to him and I am coming to that in a few minutes, Mr. Chairman. Then, any of us here who have listened carefully to the evidence given by these gentlemen—and I want to say that I think they have been most patient and very fair in answering the large number of questions—but anyone who has listened to them carefully would realize that future Canadian



requirements is not the basis of their project. Now, in that regard, we were given some direct figures—I think it was Mr. Harkness who brought this out, I think he brought out this point when we were dealing with the situation in Vancouver, that Vancouver with a population of half a million was being provided with less gas than the city of Calgary. Am I correct in that?

Mr. SMITH: Yes, less than half the domestic consumption in Calgary at the present time.

Mr. HERRIDGE: Yes, the city of Vancouver with half a million population is being provided with less gas than is being provided for domestic consumers in the city of Calgary at the present time. Now, Mr. Chairman, I think that is probably one reason for questioning whether Canadian interest is being protected. Now, in addition to that, I asked a question myself with respect to the letter read by Mr. Dixon, I think, as to the price being paid for pipe in Canada; and I am very interested in that.

The VICE-CHAIRMAN: That question has been answered by Mr. Dixon.

Mr. HERRIDGE: I know it has been answered, Mr. Chairman, but I asked the question as to the price being paid on 400 miles of pipe, at which price the officers of this company are preparing their estimates of cost, and whether they are estimating it on the basis of entering the United States at Kingsgate; and that is the impression of quite a number of people, not only the members of this committee. On these grounds, Mr. Chairman, I think we have every reason to believe that we cannot rest assured that Canadian interests are being protected. Then, again, Mr. Chairman, Mr. Green read a letter to this committee which the Right Honourable Mr. C. D. Howe had written to the clerk of the city council in Vancouver. If I heard the letter correctly—we haven't got the printed record yet and with so much evidence being given it is difficult to remember everything in detail—but if I remember the letter correctly (Mr. Green has just handed me the letter), the Right Honourable Mr. C. D. Howe wrote the clerk of the city of Vancouver in part as follows (I am reading the second paragraph of that letter):

While it is alleged that the Alberta Natural Gas Company if incorporated proposes to build a pipe line through the United States, this is not the information that the company has given to me. My information is that the new company is proposing to build this line through all-Canadian territory and to serve all Vancouver points before taking the line into the United States.

Now, Mr. Chairman, my further argument in this connection is with regard to the reply given by Mr. Dixon when this letter was referred to him; and my recollection of his reply is that he said, yes, that was correct—if they were ordered to do so. I think those were the words he used. That means, if the company are ordered to do it. We have no assurance, regardless of the statement of Mr. Howe in this letter to the clerk of the city council of Vancouver and other evidence which has come before us, that these Canadian interests are going to be protected.

Now, Mr. Chairman, I want to deal with the remarks made by Mr. Applewhite who presented a very logical and clear argument quoting from the Statutes. In reply to that I would refer to the experience of the people in the Fort William and Port Arthur district.

Mr. MAYBANK: It wasn't quite that; you are treading on dangerous ground there.

Mr. HERRIDGE: And what I want to point out there is that the act did not protect those people, and there is no question about it. There are a lot of persons, including a good many M.L.A.'s, who thought they had done everything possible to protect the interest of the people there in so far as the export of gas was



concerned, but that act did not protect them at that time. Therefore, Mr. Chairman, we have doubt as to how our interests are protected under this Act. Therefore, Mr. Chairman, I would urge upon members of the committee from British Columbia to consider whether or not the provisions of this act as it now stands will afford them the protection of Canadian interests which they would like to see. May I say further, that those of us who have been discussing this question, whether from British Columbia or Alberta, have been trying to put our position plainly before the committee, to show where we stand in protecting Canadian rights in respect to this important national product. I can assure you of this, Mr. Chairman, that without doubt we are expressing the opinion of the great majority of people of British Columbia. There is no doubt about that.

Mr. McIVOR: Mr. Chairman, I would just like to correct the honourable member; oil is not being shipped to Superior, it is being shipped to Sarnia via Superior.

Mr. MAYBANK: Mr. Chairman, I think if you will read the amendment it leaves us just exactly where we were. I am skipping a word or two which you will have to fill in for yourselves; may export gas only to an amount in excess of an amount required by—and I will just change it to say, Canadians. That is not the precise wording but you will get the idea; it is not a real violation of the wording the way I have given it. Just taking that as it is how do you determine what is required and who determines it? The same no doubt as under the Fluid Export Act. The Fluid Export Act has this in it, maybe not word for word but this is the whole basis of the Fluid Export Act. Some persons will say that that is a power they will get from the Board of Transport Commissioners. The amendment does not say so. It might be from the producer, it might be from the Alberta government; who is it that determines this? It might be said that it is the individual consumer who determines it, that you have to ask him how much he requires. The amendment proposed is about as effective as a hole in a tank of water. It would not protect anybody at all, if you do put it in. Then, in the next place, it does not protect anybody for this reason, that if this law were passed with that amendment in it it would only mean that this particular artificial person was bound by whatever binding force that has; it has no effect whatever on other artificial companies already in existence, because they, not having this in their law, would not be so bound. If there is any binding power in it at all, and I doubt if there is, it extends to the discretion of some person in the last analysis, as is the case with the law now. So that if you put that into the law you really have nothing in at all; and if that statement were not there, then you put it in and you say it has some force, but there are six or seven other artificial persons with precisely the same powers as you have here extant in Canada at the present time and not one of them is subject to this or that caution which you are now proposing to put in this bill, and you have by no means protected the people of Canada by amending this particular private statute. If you regard the other private companies which you have incorporated as being an entirely different kind of animal than this artificial person will turn out to be; and if that is the reason why you feel you can trust these others without putting that in their law yet you can't trust this one; well, that might be some reason for putting them under special restrictions; but I do not think that any person would say that he believes that one artificial person who has been created is any more to be depended upon than any other. They are all coming to us to be enchartered in order to go into a business in which it is expected there will be a reasonable profit; and they will all act, no doubt, according to the same motives that move most people in such circumstances. In this connection, however, it may be that you have a certain confidence in some of the other companies which have been enchartered without any such restrictions being put upon them; still you have no guarantee that these other enchartered



companies will remain as they are today. What you will have done, perhaps, is to make all of their charters more valuable, they could sell them to a little bit better advantage; but you have not thereby protected the people of Canada with respect to the consumption of gas. It is a good deal like trying to prevent water running out of some container where you have a half a dozen pipes and you just try to stop it coming out by putting a plug into one of those pipes. Of course, the water continues to run through the other pipes. It is an entirely ineffectual act.

It really does not mean anything where you have all these other lines in operation, and members of the committee recall that nothing of that kind was exacted from the other artificial persons when they were created. I know there are many honourable members here who would say that those companies, when they were making their submissions gave a pledge; and that pledge is worth nothing as every person knows. There is no value whatever in pledges of persons who can change entirely day by day. A company, one day, may be a person made up of fifty people. A verbal pledge given by people who are giving a pledge before the company was ever born has no value. They can pass out of the picture in an hour and fifty new people take their places. There is no value in that sort of thing and surely the honourable member would not suggest that it has any real value.

Mr. GREEN: I suggest there is.

Mr. MAYBANK: I suggest we are only wasting our time and fooling ourselves in trying to amend a law in this way.

Mr. FERGUSON: Mr. Chairman, our actions and the actions of any committee for the passing or granting of any charter should not be a precedent for any charters to be granted by any committee in the future. We should, and I hope it will always be so, learn from past experience and failures and mistakes.

Mr. MAYBANK: But you would have to kill off the children who were born.

Mr. FERGUSON: That is not necessary, we all try to do better regarding our children.

Now, our friend from British Columbia would almost try to lead the members of this committee down the flowery path, down the garden path, in reference to the generosity of our good friends from the south, at all times, towards Canadian purchasers and Canadian enterprise. May I just remind him when he speaks of the automobile that has been given to Canadians by the Americans that the Americans came here originally and bought the Buick company which had been established by McLaughlin in Oshawa. They purchased that outfit because it had a value. And then the great Standard Oil, which you work for, the Imperial, they came to Petrolia where oil was discovered and they purchased it. You, who are representatives of the Canadian people sitting on a committee, remember the sins of our fathers and in future when sitting on committees remember to scrutinize proposed charters far more carefully than they have been scrutinized in the past. When you look at the serious side of the situation, when you are voting, think whether we may not be giving away our birthright for the future. If the honourable member from Vancouver-Quadra is actually trying to protect the people of Canada in his amendment it behooves everyone of us as representatives of the people of Canada to stop in our tracks and think seriously as to whether this amendment is justifiable or not in order to protect the property of the people who sent us here to protect that property.

The VICE-CHAIRMAN: Are you ready for the question?

Mr. STUART: I want to say a few words. I have not spoken in this committee as yet. I want to associate myself with the remarks made by Mr. Mott; and on the remarks made by Mr. Ferguson I want to say there that our friend Sydney Converse in Washington did not take the same view you are asking us to take here today. From 1940 to 1946, during the war, if our friends in the



United States had taken the same attitude as you are asking us to take today Canada would be a very poor country. Every bit of gas or oil that came into this country came from the south of us, from the United States. I remember well being in Boston in 1945 when people were sitting in their homes with fur coats on because there was no fuel. That never occurred where I lived even during the war; and in the maritimes, if it were not for the people to the south of us, we would have moved out long and long ago.

I have heard these same who are opposing the incorporation in this committee, members stand up and preach political autonomy; and it would seem here there are two or three members from Alberta doing that this afternoon. I believe the people in Alberta should have something to say about the natural resources of their province, for without these markets in the United States it would be utterly impossible to deliver gas to the west coast. You have to have the American market to get that gas to British Columbia at a reasonable price. I have listened to this flag waving and I want to assure you that the people where I live are more generous towards the people in the United States.

I have no hesitation in voting against the amendment because I believe these people down there will be the same friends to us in the future as they have been in the past.

MR. GOODE: I am going to speak directly to the amendment, Mr. Chairman. I came into this committee with a neutral attitude. As I said before, I wanted to find out about the submission of the gentlemen who are interested in this company and then to form my own opinion. I find that although a certain pledge was given to Mr. Green when the charter was granted to the Westcoast Transmission Company, that the pledge, if it was a written one, was not worth the paper it was written on. So I must judge for myself just what is going on in this committee, and make up my own mind. I look at the bill for the Westcoast Transmission Company and I find out that the words are exactly the same as those in the bill before us, exactly word for word. Mr. Green at that time made no suggestion that there should be an amendment to that charter and I am not going to penalize this company because he omitted to propose an amendment to a charter that has been granted. We should be fair. We are only judging if this company should receive a charter. I am going to vote against this amendment for the one reason that I do not think Mr. Green has been fair in this matter and I am going to form my opinion from that fact.

THE VICE CHAIRMAN: Are you ready for the question?

MR. SMITH: I assure you I am going to be very brief. I intend to deal with one of the arguments made by my friend Ralph Maybank and then I will say a word to Wes Stuart here because he brought some Alberta members into the discussion. Mr. Maybank's argument is this that the amendment is worthless. It strikes me as very strange for so very able lawyer as he is to become so enthusiastic in opposing an amendment which in his own language means nothing. Then, with respect to the broad picture of different companies—and he says there are a lot of them,—which have been organized on similar lines, to my knowledge there is only one company, the Westcoast Transmission Company.

MR. MAYBANK: The oil companies are much the same, are they not?

MR. SMITH: I am speaking with reference to gas.

MR. MAYBANK: This is an oil company.

MR. SMITH: This includes both gas and oil.

MR. MAYBANK: So do they.

MR. SMITH: But the others do not include gas. Now, we who have been opposed have been opposed for one reason and that is that we offered in the House of Commons and again here to let this charter go through in one minute



if someone in a responsible position would give us an assurance that what we are incorporating is an all Canadian route. We have said that publicly and I have asked everyone in the House of Commons with authority to say that. We went further and offered to support—I offered publicly to second, if necessary—an amendment to the main Act providing that so far as these gas lines between Alberta and Vancouver were concerned that we should have such an amendment that would put them all in the same position. There was not a sound from anybody with respect to this very fair proposition.

Then coming to my good friend and travelling companion of other days—he is not much of a poker player, I may say,—but coming down to the remarks made by him and our good friends in the United States, he used the expression “flag wavin”. Well, perhaps that is as good an example of that type of thing as one could find. But I remind him of this, and I am dealing with gas, the same commodity we are dealing with here. Western Ontario not so long ago was shut off from gas by the same Texas Panhandle Eastern Company that my friend Mr. Dixon had been at one time associated with. If you read the newspapers you will have found that in the last ten days the dominion government department of External Affairs has been in Washington before that same power commission begging the United States to give us seventy-five million feet under the river between Detroit and Sarnia.

Mr. FERGUSON: There you are!

Mr. SMITH: That is the item we are dealing with, gas. Our government, officially,—Mr. Matthews, I think was the name of the man who made the application before the Power Commission—are down in the United States now officially; the dominion government is there officially begging this company to give us some gas in western Ontario. Are you going to agree with Mr. Maybank's view of the law? I am going to agree that perhaps this is the poorest way to bring these things about. I said in the House of Commons: if you do not give us statutory protection, will somebody give us an undertaking. But that was only if we could not procure all these things by way of a statute.

Mr. APPLEWHAITE: We have them by way of a statute.

Mr. SMITH: You are referring to the Fluid and Electricity Act. Well, I know all about it, and what that means is this: an individual has a right in his discretion to turn off the tap as the power commission in the United States turns off the tap in a pipe line already constructed. As I said a moment ago, I want to stop talking about this matter but I want to ask two simple questions, perhaps three, about some words in the statute itself. Shall I do it now or shall I wait until this amendment is voted down, because I have no doubt that it will be. The experience of the last few days is eloquent.

Mr. MAYBANK: I just want to say something in agreement with you, that is all.

Mr. SMITH: When we were going out of here today something was said by the honourable member; he said that both he and I needed a drink. I agree with him on that. That is as far as our agreement goes. Clause 6, in the very first lines of (a) reads:

“The company may within or outside Canada construct, purchase, lease, or otherwise acquire and hold,”

I want to know from Mr. Connolly why we are legislating for things outside Canada over which we have no jurisdiction whatever?

Then it goes and says this company is permitted to make purchase of gas from international companies. I am curious about this.

I want to know how the parliament of Canada has got any right whatever to give authority to a company to do something outside of the Dominion of



Canada. I do not mean with respect to fishing by international companies in the three mile limit or anything of that sort, but, here we are, dealing with gas. Why should we have these provisions for outside Canada?

Perhaps I should ask all of the questions and then you can answer them at once.

That power gives them also power with respect to lines outside of Canada and their other business transactions, shall we say, over which in my judgment, and as far as I can see, we have no authority whatever. We have an authority over here in the corner, however, and probably he will want to be heard with respect to that.

Then this bill goes on and deals with aircraft—that they may lease or sell or maintain and operate aircraft and aerodromes for the purpose of this undertaking, together with the facilities required for the operation of such aircraft and aerodromes. Now I want to ask Mr. Connolly if he has gone into the question of the rights of air transport companies, and if he is satisfied with his clauses as they are here? And whether he is satisfied that he is not in breach with a policy which has to do with government ownership of air transport in this country?

I am not for a moment saying that you are in breach of this but I am asking you if you have examined it and if you are content with it? Perhaps you yourself may need a little amendment here in connection with your Act.

The next thing I want to ask about is the part—"to own, lease, operate and maintain interstation telephone, teletype and telegraph communication systems and subject to The Radio Act, 1938, and any other statute relating to radio, own, lease, operate and maintain interstation communication facilities;"

The reason I ask you about the last two or three lines is that I have had some experience with corporations in Alberta endeavouring to get radio communication from head office, we will say in Calgary, to the various stations where they have those portable units which are carried around where the drilling crew is working. They may be working a long way from necessary facilities and radio is needed for quick action, in case of accident, fires and so on. I just wonder if it is sufficient—if you are satisfied from the inquiries you have made—that your statute here in these three particulars is in accordance with the existing law?

Perhaps I should say that I am formally seconding Mr. Green's amendment.

Mr. HODGSON: I have several questions which I would like to ask.

The VICE CHAIRMAN: Mr. Connolly might first answer those questions.

Mr. CONNOLLY: As to whether or not the words "outside of Canada" should be there I may say first, when this bill and other bills were originally drafted it was generally agreed that the provision should be there. There is a provision in the general Pipe Lines Act, section 9, which provides that a company operating a company pipe line from a place in Canada to a place on the international boundary line may exercise, beyond such boundary, in so far as permitted by laws there in force, the powers that it may exercise in Canada.

That is one reason why the words were included.

Mr. SMITH: That does not mean anything in court?

Mr. CONNOLLY: It is in the law, Mr. Smith—it is section 9, and we have to deal with it as we find it.

Mr. SMITH: I agree with you that it is surplusage.

Mr. CONNOLLY: Point two is that this company would not require a dominion charter if it were building solely within the limits of one province; but the dominion asserts jurisdiction when it crosses provincial or international boundaries. I think that is perhaps the main reason for that clause.



Mr. SMITH: Are you still talking about what I was discussing? I realize what you say is correct, but are you saying that it is a reason why we should give these rights?

Mr. MAYBANK: Not rights.

Mr. SMITH: Confer power to do things, then.

Mr. CONNOLLY: Yes, I think so.

Mr. MAYBANK: It is to get them much nearer to a natural person.

Mr. CONNOLLY: They are operating not within the limits of one province—

Mr. SMITH: Yes, but the provinces are within Canada?

Mr. CONNOLLY: For the same reason the words are required.

Mr. SMITH: It cannot be for the same reason.

Mr. MAYBANK: I can suggest another reason is that the honourable member for Calgary—

Some Hon. MEMBERS: Louder.

Mr. MAYBANK: I can suggest that another reason is that the honourable member for Calgary and others have confirmed the correctness of this draftsmanship by granting it in all other cases.

Mr. SMITH: Let us settle this once and for all—there is only one other—

Mr. MAYBANK: These words “within and without Canada” are in every bill which passed with one exception—a bill which I introduced. That is the only exception.

Mr. SMITH: I am glad that you woke up—I am a little late in waking up but is there any sense in it?

Mr. CONNOLLY: If I can come to the other points—

Mr. SMITH: You have not dealt with the first one?

Mr. CONNOLLY: I think I have.

Mr. SMITH: All right, if you have done your best.

Mr. CONNOLLY: I think what I have said is what the law officers of the Crown would tell you. The second thing you ask about—

Mr. SMITH: I think it is just presumptuous for the Dominion of Canada to legislate about conditions in the United States.

Mr. CONNOLLY: You asked also about the power to operate aircraft. That was originally put in because of the matter of patrolling and servicing the line may be of importance. It may be important to use aircraft in doing that.

Mr. SMITH: I agree.

Mr. CONNOLLY: It was felt that the fundamental right to use them should be incorporated in the Act as it was in other Acts, and for the same reasons.

Likewise that is true for the operation of radio facilities for communication between points that otherwise would not have communication service. You will notice that what we have in respect of operating and using these facilities is specifically subject to the Radio Act of 1938. We must get a licence to operate in accordance with the regulations and provisions of that Act.

Mr. SMITH: Your answers to the first two questions is you do it because some other people did it?

Mr. CONNOLLY: No, we think the reasons are good and valid for having done it on our own. The fact that others did so simply supports the views we have.

Mr. SMITH: Outside of Canada—did you do that on your own?

Mr. CONNOLLY: Certainly.

Mr. MAYBANK: Lots of charters have been granted that way.

Mr. CONNOLLY: That is customary.



Mr. GREEN: Mr. Connolly you are not going to operate outside of Canada?

Mr. CONNOLLY: This is a continuous line. The line beyond Canada of course will be—

Some Hon. MEMBERS: Order, order.

Mr. CONNOLLY:—operated by Northwest Gas Company.

Mr. HODGSON: I think you will all agree that this is the first time I have had a chance to speak on this thing. I intended to before but somebody else always got the floor.

Mr. SMITH: You are big enough to get your own floor.

Mr. HODGSON: I think it has been proved here by Mr. Dixon and others that there will be only one pipe line built. I think that has been proven beyond a doubt,—although this is the second charter. I was wondering, therefore, if there is any collusion between these two companies, or if the other company had pledged more or less that they would have the Canadian route.

Now it looks to me that the natural route or the cheapest route is the one down through the States. The difference of \$15,000,000 is not just peanuts. It is the difference between one and the other. There might be such a thing as a hook-up between the companies so far as competition is concerned.

It has been proven that only one line is necessary or is all that will be built. Then, if two charters are granted, they still cannot say there is going to be any competition as far as buying gas is concerned. It also means that there is not going to be any competition as far as sales to markets are concerned—and that is the only thing that is going to stop a monopoly—that or some legislation we pass before this charter goes through.

The next step, as far as I can see it, lies with the Board of Transport Commissioners or the Minister of Trade and Commerce—whoever has the authority to say whether this charter is granted or not and where it will go at that time.

I think Mr. Smith proved to you this thing of gas being sent back and forth over the lines is just the same as other fuel and it has been refused in the past. I think Mr. Green is quite in order; I think he has got the right idea. Before we sell our birthright, we should have something to say about how much coal there is for our own consumption in Canada. I think that is only fair. I do not think that any legitimate company in the United States would object—in dealings with them I have never found them difficult in that way.

I think we should consider this very fairly from their standpoint and our own and that of the industries and the people of Canada as a whole. It has been said here that there is only to be so much gas left for Vancouver. We do not know what the development in the future is going to be along the location of this pipe line and the cities and towns which it services. Canada might need a great deal more gas than any of us now contemplate. For those reasons I think that the amendment that Mr. Green has made should be considered.

Some Hon. MEMBERS: Question.

Mr. BYRNE: I certainly oppose the amendment for the following reasons: in the first place the Export Act for natural gas and fluids does not call for it; secondly, the West Coast Transmission Company who have applied and obtained a charter to supply gas do not have such a clause in their charter; third, if you open up such a question every company that is chartered for gas and oil or any other exportable product would be left in the position where someone could come into the House of Commons and, possibly for political reasons or other reasons, introduce an amendment which would be similar. I think we could start something which would extend almost to infinity for all these voluminous bills that we have in the House of Commons. My fourth reason is that in the letters to the mayor or the city clerk of the city of Vancouver the Rt. Honourable Mr. C. D. Howe has indicated that as Minister of Trade and Commerce he will



not allow gas to be exported until Canadian needs are met. I personally believe that it should be the part of every member of parliament and every person residing in Canada to feel that we can put confidence in our elected representatives and to believe that they would protect the interests of the Canadian people rather than those of the directors of a company responsible only to their shareholders.

Now, a declaration by any company that they will follow any particular route or any other declaration certainly, unless it is embodied in a contract, a signed contract, would not carry the same responsibility if made by our senior officials of the government. The Governor-in-Council will determine eventually if the requirements of Canada are met and certainly under this Act it will not be Mr. Applewhaite. He will act on the instructions from the Minister of Trade and Commerce so that I think it is absolutely superfluous to add anything in the way of an amendment to this Act.

The VICE-CHAIRMAN: All those in favour of the amendment?

Mr. ADAMSON: Mr. Chairman, I have had some experience with a very similar type of thing, the export of off-peak electric power which was exported in the first place as an emergency measure. There was an agreement that when the power was needed in Canada, that power should be returned. Actually what happened was that the industries in the northern part of New York State became dependent upon this power, and when it became necessary for the province of Ontario to have that power back it was impossible to get it back without causing a serious disruption of supply of primary power to those industries; and it was only got over, after some considerable power shortage, by the construction of further Hydro Electric Works elsewhere than at Niagara.

Now it seems to me that we have a very similar situation here. The estimated consumption in Vancouver of 5 million cubic feet is less than one-half as much as Seattle; and less than one-third as much as Portland. Well, perhaps that is in the opinion of the company a correct estimate. But in population Vancouver is slightly over one half a million and I do not think either of those cities is very much larger than Vancouver.

Mr. MURRAY: Let us get down to the facts. How many people would there be around Puget Sound, three million?

The VICE-CHAIRMAN: I wish you would stick to the subject of the amendment.

Mr. ADAMSON: I am speaking on the amendment, Mr. Chairman.

The VICE-CHAIRMAN: It does not sound very much like it, Mr. Adamson.

Mr. ADAMSON: I feel that the prime function of this committee of the House of Commons is to see to it that the requirements of Canada are met first. Therefore I see no objection in this amendment.

The VICE-CHAIRMAN: Order, please. Order!

Mr. ADAMSON: In fact, I am wholeheartedly in favour of the amendment particularly as we have again seen what has happened at Windsor and at Sarnia where the supply of natural gas has been certainly restricted and definitely cut off because of the Federal Power Commission. I believe we are putting our necks in a noose in regard to this thing unless we at least take other safeguards with regard to the supply of Canadian industries first.

Mr. PEARKES: May I ask how practical it is to apply this amendment supposing route B is the route which is adopted for the construction of this pipe line?

The VICE-CHAIRMAN: But that is not mentioned in the amendment.

Mr. PEARKES: I am asking as to whether it is practical to apply this amendment, and I am saying: supposing route B is constructed, and in the course of time the demand from Trail develops to such an extent that there is



not sufficient gas coming through the pipe line to be able to supply Trail and Spokane, would it be practical to turn off the gas to Spokane and let the gas go to Trail? And in a similar way, supposing route B is constructed, and the gas reaches the terminal at Munroe, and a decision has to be made as to whether a sufficient quantity of gas can be sent to meet the needs of Vancouver or Portland, would it be practical to turn off the supply of gas going to Portland?

Mr. GOODE: On a point of order, Mr. Chairman, I think this is a matter for the Board of Transport Commissioners, and it cannot be answered sensibly by this committee. When the time comes the Board of Transport Commissioners will make the final decision as to the disposal of the question.

The VICE-CHAIRMAN: Question?

Mr. PEARKES: Mr. Chairman, let me suggest that my question is perfectly in order. I am not capable of voting on this amendment until I have an answer to my question.

Mr. MAYBANK: Mr. Chairman, I submit that the question is in order, but it is a question for the honourable member to answer for himself. It is a question for his own judgment to determine how he should vote, and not a question to be determined for him by the sponsors of the bill.

Mr. PEARKES: Can you tell me whether or not the gas will be turned off en route? I cannot.

Mr. MAYBANK: I think the honourable member should consult the honourable member who is sitting on his right and ask him if he knows. It may be that he will be able to tell him, but I do not think it is a question to be answered by the sponsors of the bill.

Mr. WYLIE: Mr. Chairman, this is the first time, I think, that I have spoken on this matter. Coming from Medicine Hat, where we had the first gas from the province of Alberta, I think I should say a few words.

I do not know what the amendment is, but when I came in, Mr. Maybank was referring to irrigation and irrigation through pipe lines. Now, Mr. Chairman, there is no comparison to be made between irrigation and gas pipe lines. If the honorable member came from Alberta I would perhaps excuse him. But seeing that he comes from Manitoba where they have no irrigation schemes and no gas pipe lines, I must take issue with what he says.

He mentioned that if he were on an irrigation system and if he did not want that irrigation, he would just shut the water off. But irrigation is not quite so easy as that. Those honourable members who come from irrigation districts will remember that a contract has to be signed in the spring, to the effect that you are responsible for the payment for so many acres of arable land. And and as far as gas is concerned, we have no pipe line in the city of Medicine Hat. Gas is not piped there. What we do in the city of Medicine Hat is drill our wells underneath the city. We may have to drill down 1,000 feet, 11,000 feet, or 12,000 feet, but we have our natural gas. It is true that if you do not pay your tolls, the city may shut you off.

I wanted to ask Mr. Dixon a question this morning, but my good friends over here excluded me from doing so. I wanted to know if Medicine Hat was on the grid system? But whether it is or not we in Medicine Hat have our gas fields and it must be realized that as our city expands we must also expand our gas fields.

Instead of having all our wells in the city of Medicine Hat, as they are at the present time, this year we drilled two new wells which will be 12 miles from the city. It is the policy of the Alberta Conservation Board to see to it that our gas pressure is kept up. That is something we have to look after to see that we are supplied with natural gas, and I would certainly commend the Alberta



Conservation Board for what they have done not only for the province of Alberta but, in view of the pipe line we are discussing today, for the benefit of the rest of British Columbia and, perhaps, the United States.

I do not know if I am in order, but I am going to say this while I am on my feet: that if it were not for that natural gas in Medicine Hat, Medicine Hat would not be the city we have there today. Now, Mr. Chairman, you may be listening to Mr. Maybank. That is quite all right. I do not care what Mr. Maybank is saying to you.

The VICE CHAIRMAN: We are talking now on the amendment, Mr. Wylie, and I think you are pretty far astray from the amendment.

Mr. WYLIE: I do not know what the amendment is. When I came in here the amendment was moved and Mr. Maybank was talking about irrigation. And I think if Mr. Maybank can talk about irrigation; then I am entitled to speak about it as well; and if I am out of order, then I am quite willing to sit down.

The VICE CHAIRMAN: I think you are out of order.

Mr. WYLIE: But when a gas pipe line is compared with irrigation in the terms which Mr. Maybank used, I think it is my privilege to tell Mr. Maybank what I know about irrigation and about gas pipe lines. I just wish that Mr. Maybank...

The VICE CHAIRMAN: That has nothing to do with the amendment, nothing in the world.

Mr. WYLIE: I wish Mr. Maybank lived in the province of Alberta so that he would know something about irrigation.

The VICE CHAIRMAN: Question? All those in favour of the amendment please say yea? All those opposed please say nay?

The CLERK: Yeas, 12; nays, 25.

The VICE CHAIRMAN: I declare the amendment lost.

Mr. HERRIDGE: Mr. Chairman, when we were discussing section 6, in the discussion of the amendment which was just lost on a recorded vote, Mr. Goode said that this bill was identical word for word with the previous bill, in so far as this section was concerned. I am sorry to say, Mr. Chairman, that Mr. Goode has apparently not read the bill very carefully, and it is in that connection that I wish to speak at this time. Now, Mr. Chairman, Section 6 of Bill No. 9, known as an act to incorporate the Prairie Transmission Lines Limited, reads as follows:

6. The Company, subject to the provisions of any general legislation which is enacted by Parliament, relating to pipe lines for the transmission and transportation of gas and oil or any liquid product or by-product thereof, may

(a) within the provinces of Alberta and British Columbia or outside Canada construct, purchase, lease,

Now, Mr. Chairman, just to cover that point raised by Mr. Goode, I am going to read from the corresponding act to which reference was made, Bill D-8 of the Senate; an act to incorporate the West Coast Transmission Co. Ltd.; and I read the same section:

The Company, subject to the provisions of any general legislation which is enacted by parliament, relating to pipe lines for the transmission and transportation of gas and oil or any liquid product or by-product thereof, may

(a) within the province of Alberta and British Columbia or outside Canada construct, purchase, lease...



Now, Mr. Chairman, we have been discussing this afternoon an act to incorporate the Alberta Natural Gas Company (Bill 7) and section 6 of this bill reads as follows:

6. The Company, subject to the provisions of any general legislation relating to pipe lines for the transportation of gas or oil or any gaseous or liquid products or by-products thereof which is enacted by Parliament, may

(a) within or outside Canada construct, purchase, lease, or otherwise acquire and hold,

—and so on.

I am quite sure, Mr. Chairman, that Mr. Goode will admit that he was inaccurate in making that statement.

Mr. SMITH: Mr. Goode made a statement that the wording in the two bills was exactly the same.

The VICE-CHAIRMAN: Oh, that is a mere bagatelle.

Mr. HERRIDGE: So that this bill will be similar word for word to the previous bill in wording; and it is for that reason that I want section 6 of Bill No. 7, paragraph (a), to be amended, by adding after the word "within" in the 20th line, the following:

the provinces of Alberta and British Columbia.

Now, Mr. Chairman, the insertion of those words will then make this bill identical with the bills passed last year. I would so move.

Mr. GREEN: Mr. Chairman, with regard to this proposed amendment, you will remember that when I was questioning Mr. Dixon yesterday I asked him—

The VICE-CHAIRMAN: Just a moment, Mr. Green, please. I will read the amendment:

That paragraph (a) of section 6 of Bill 7 be amended by adding after the word "within" in the 20th line the following "the provinces of Alberta and British Columbia".

Mr. SMITH: I think they will accept that.

Mr. CONNOLLY: Mr. Chairman, Mr. Dixon calls my attention to a situation where the company might want to get gas in Saskatchewan. And suppose the company wanted to supply gas to Manitoba—

Mr. GREEN: Mr. Chairman, I suggest that is not the answer, because this group now have a collecting company in Alberta known as the Alberta Natural Gas Grid Limited, or some such similar name; and they are asking the incorporation of the Alberta Natural Gas Company to transport gas to the west in so far as their line runs in Canada, and wherever it is beyond the boundary in the United States, they are proposing to operate another company to be known as the Northwest Natural Gas Company. Now, I asked Mr. Dixon whether he had any intention of running along into the east from Alberta, and his answer was that certainly for the time being they had no such intention. And I submit for that reason alone this amendment should be carried. We have heard a lot of argument by people who are talking about this private bill to the effect that they should not be put under any disadvantage, but here we have a case where they have a very distinct advantage, they are getting the power to operate a gas line running anywhere in Canada. They are not confined to the building of a pipe line to the Pacific coast, although in their story to us they say that is all they want, a pipe line to the west coast. Now, if they mean what they say, then let them accept this amendment and confine their operations to Alberta and British Columbia. If at a later time they want to build a line to the markets of the east let them come before parliament for an amendment to their charter



to give them that right. There is no reason so far as we can see why they should have a wider right than the other companies who have been hoping to get a line to the west coast.

Mr. RILEY: Speaking to the amendment proposed by Mr. Herridge, in that amendment he asks that the company be restricted in the export of gas until the requirements of the Canadian consumers have been satisfied. Apparently he wanted to give the people of Canada who might be interested in the gas line, or in consuming gas from the Alberta wells, an opportunity to obtain that gas for their requirements before it could be exported across south of the border. He comes along with this amendment and he asks that the company be restricted from doing business in any other provinces than Alberta and British Columbia. There is another point for us to consider there, and that is that the two companies will have to go before the Board of Transport Commissioners, which after all is the body which is going to give them the power to carry on their project, their gas line project. These two companies will be going before the Board of Transport Commissioners and if this amendment is carried they will be under a handicap as compared to other companies who are making application for the same purposes. I think in all fairness that these two companies coming to the parliament of Canada for a charter should be treated equally, and have equal powers when they appear before the Board of Transport Commissioners.

Mr. SMITH: Hear, hear; everybody agrees with that.

Mr. RILEY: Then, if those companies want to enlarge their powers at a later date, they will both be in the same position and will have the right to come before parliament and ask that their powers be enlarged so that they can extend their operations to provinces other than Alberta and British Columbia.

Mr. MAYBANK: Mr. Chairman, I might tell the committee something with reference to the bill to which I made reference this afternoon when Mr. Smith was speaking, and when I think there was a short exchange between us, and when I said there was one bill which only asked power to build in Canada, and he made some answer to me. The committee will recall the incident, I think. Now, in that case I was a little surprised that the person from Winnipeg who had asked me to sponsor their bill drafted their bill in the manner which I described. They desired powers only to build in Canada, and I said: "it is none of my business, I don't care; but, why do you cut it down like that? Every person else seems to ask for wider powers." Well, their answer was: "we are fairly convinced that all we need to do it to come down as far as Winnipeg; if we want any more later, if we prosper and we want more, to go somewhere else.

I suppose they will come forward with an amendment, and that is the way very often with people who are applying for charters. They say: give us such and such a charter, make us that much nearer or that much less near in some cases to what is the position of a natural person, and so long as there is not anything morally objectionable or reprehensible in any way about the request for powers being asked, then I submit that the powers asked for by the persons who come before us should be granted, unless there is some good reason against it; and for that reason I would urge that the bill be not amended at all unless it be for some very definite thing that we discover to be wrong. I would ask that we do not amend the bill at all and particularly not amend it in this respect.

The VICE-CHAIRMAN: Are you ready for the question?

All those in favour of the amendment signify by answering yes to the call of your name. Those against say no.

Yeas, 11; nays 23.

The motion was negatived.

Shall the section carry?



Mr. GREEN: With regard to paragraph (a) of this section 6, I have another amendment here. I would like to propose an amendment to that section seconded by Mr. Harkness and it is this: that paragraph (a), section 6 of bill 7 be amended by inserting after the word "hydrocarbons" in the 28th line, the following:

provided that the main pipe line or lines either for transmission and transportation of oil or gas shall be located entirely within Canada.

Now, with that amendment clause (a) will read as follows:

within or outside Canada construct, purchase lease, or otherwise acquire and hold, develop, operate, maintain, control, lease, mortgage, create liens upon, sell, convey or otherwise dispose of and turn to account any and all interprovincial and/or international pipe lines and all appurtenances relative thereto for gathering, processing, transmitting, transporting, storing, and delivering, natural and artificial gas and other gaseous or liquid hydrocarbons provided that the main pipe line or lines either for transmission and transportation of oil or gas shall be located entirely within Canada,

and then the clause goes on to say:

and purchase, or otherwise acquire, process, transmit, transport, and sell or otherwise dispose of and distribute natural and artificial gas and other gaseous or liquid hydrocarbons, and own, lease, sell, operate, and maintain aircraft and aerodromes for the purpose of its undertaking, together with the facilities required for the operation of such aircraft and aerodromes; and own, lease, operate and maintain interstation telephone, teletype and telegraph communication systems and subject to *The Radio Act, 1938*, and any other statute relating to radio, own, lease, operate and maintain interstation communication facilities;

Now if that amendment is carried it would mean that the main line of this company to the west coast would go through Canada.

Mr. BYRNE: It will go anyway, the Board of Transport Commissioners will decide that.

Mr. GREEN: It will mean that the main line would go through Canada to the coast. There would, of course, be freedom to build branches from that main line into the United States, but if this amendment were to be carried then the main line would have to be in Canada. The company has said that it is now going to present six different routes to the Board of Transport Commissioners. If the amendment is carried they would only be able to present two routes because there would only be two in which the main lines would be on Canadian soil. One route would be their route "A", which runs from Pincher Creek to Vancouver, all on Canadian soil, and the other route would be the route through the Yellowhead, which, they say, they are now going to investigate. They would be at liberty to follow either one or the other of these two routes, and as I said yesterday, of course, the real comparisons that matter are the comparisons between the Yellowhead route and the Crow's Nest route. That is the comparison that is important. But if this route is laid through Canada even on their own Crow's Nest route, the result will be, according to the figures given to us this morning by Mr. Dixon, that there will be six hundred and twenty-six miles of pipe laid in Canada from Pincher Creek to Vancouver and only three hundred and eighty-five miles laid in the United States, whereas if they follow their United States main line route, there will only be two hundred and ten miles of pipe laid in Canada as against seven hundred and twenty laid in the United States. That is a difference of mileage in Canada of four hundred and sixteen miles.



Then, as to the amount of money expended: on their own story there will be between \$40 million and \$45 million additionally spent in Canada if their route goes by the all-Canadian route through the Crow's Nest to Vancouver as compared with the main line route going through the United States. There is that substantial difference in the amount of money that is going to be spent in Canada before the construction of the line.

Also, there is the additional cost of maintenance. You have the maintenance of six hundred and twenty-six miles in Canada in the one case and of only two hundred and ten miles in the other, and again, if the line is laid in Canadian soil, you will get away from all the difficulties of control; Canadian needs are met and the excess goes out by branch lines to the United States.

There is then no need of any treaty to protect Canadian consumers. I have no intention of going any further in my explanation. You all know the position. I do suggest that an amendment of this kind providing that the main pipe line must be laid on Canadian soil—mind you that includes oil as well as gas—I do not suggest that having that provision put in the bill is in the interest of Canada.

Mr. APPLEWHAITE: If this committee wants to do anything to insure that any pipe line that is going to carry gas from Alberta to the Pacific coast is going to be built through the United States of America, the adoption of this amendment is the one way to assure it.

I wish to explain to the committee, as I see it, what will be the inevitable results of our passing this amendment at this time. I want to make it quite clear that I am not accusing the sponsors of the amendment of having this object in view. I am giving them credit for not having it in view. This amendment—assuming the bill passes with this amendment in—will give us at the moment—because Prairie Transmission Lines are quite yet in the picture—two companies with the right to build a pipe line from Alberta to the Pacific coast. It will give us one company with the right to build in Canada and in Canada only; it will give us another company, whose bill I have in my hand,—and this now is an Act,—which will have the right to build within or without Canada. Assuming that a line can be built without Canada at a considerably reduced cost according to the evidence we have before us, that would apply, I understand, to lines B, C, D, which we have before us, all of which would be made illegal under this amendment. Then, we have the very pleasant situation of two competitors approaching on one side and the vendors on the other side. The market is in Seattle, in Vancouver and in Portland. We admit that we must serve Seattle and Portland to make the project possible at all. When they come to deal with those people are they on the same basis, or is one going to say due to the restrictions put upon us by the parliament of Canada it is going to cost 2 per cent, 3 per cent, or even 5 or 7 per cent more to get gas to you than if you deal with your competitors upon whom no restrictions have been placed by the parliament of Canada.

We are faced now with a situation which some of us have seen coming for a long time. We are faced with a situation where this parliament is giving one company a monopoly or at least a position which puts them in the way of monopoly because it makes their competitors unable to compete with them.

I do not care whether West Coast Transmission builds the line, whether Alberta Natural Gas does, or whether some firm of which I have never heard does. I certainly do not intend, however, to sit back and be a party to us saying "Yes, nominally we will let two or three people have it, but we will say to one outfit that you are practically unrestricted and you can go where you like". We will be saying to another company "Yes, we will give you a charter, but there are a number of definite restrictions as to where you can operate."

Make no mistake about it: everybody wants to see the pipe line—make no mistake about that. However, nobody wants to see the cost of gas delivered to



Vancouver and Trail away above what it should be because we let ourselves be stampeded into something here this afternoon. That is all the time I intend to take here—I do not intend to take part in the argument on the route because that is a matter for the Board of Transport Commissioners.

Mr. HARKNESS: I think Mr. Applewhaite is under a complete misapprehension as to the position of the other company which he mentioned. As has been stated here before, by Mr. Green and others, this company gave an undertaking when they appeared before the committee that they would build the line in Canada.

Mr. APPLEWHAITE: But the committee did not put it in their Act.

Mr. HARKNESS: There was the undertaking. Subsequent to the Act the company has indicated from their whole operation that they intend to build the whole pipe line in Canada and they have submitted another application to do so—

Mr. ROBINSON: Oh now—

Mr. HARKNESS: The other application, before the Natural Gas Conservation Board which has been mentioned several times, has been going on for some months.

Mr. ROBINSON: What about the application before the Board of Transport Commissioners?

Mr. MAYBANK: I would not answer that.

Mr. HARKNESS: It is dead. In any event the situation is before any company can go ahead and apply to the Board of Transport Commissioners they must get the go ahead signal from the Alberta Conservation Board.

Mr. ROBINSON: They actually have two applications before the Board of Transport Commissioners at the present time.

Mr. MAYBANK: Yes, why did they do that?

Mr. HARKNESS: I do not know why they did it.

Mr. MAYBANK: Oh, oh, oh.

Mr. HARKNESS: What I am saying is the company in question, in pursuance of making the application or previous to making application to the Board of Transport Commissioners, has to apply to the Alberta board.

Mr. ROBINSON: That is not right.

Mr. HARKNESS: Mr. Chairman, I have the floor at the moment.

Mr. ROBINSON: Order, on a point of order, Mr. Chairman.

Mr. HARKNESS: I have the—

The VICE CHAIRMAN: A point of order.

Mr. ROBINSON: Mr. Harkness said that previous to making application to the Board of Transport Commissioners this West Coast Transmission Company is taking certain proceedings before an authority in Alberta. I say the correct statement is that these applications have been pending before the Board of Transport Commissioners for a considerable period and probably antedate their application to the authorities in Alberta.

Mr. GOODE: On a point of order? Mr. Harkness made the statement that the application before the Board of Transport Commissioners is dead. Do we understand that he speaks for the company in that regard?

Mr. MAYBANK: What is your authority there?

Mr. HARKNESS: No, I do not speak for the company.

Mr. MAYBANK: What is your authority for the statement?

Mr. HARKNESS: Mr. Chairman, perhaps Mr. Robinson and others might have this cleared up if we went back into history. This other company applied



to the Board of Transport Commissioners shortly after they got the charter for a permit to build a pipe line through the northern part of Alberta to British Columbia. The Board of Transport Commissioners refused to hear the application until they had received a permit from the Alberta board so their next step was to apply to the Alberta board—which they are in the process of doing at the present time.

The VICE-CHAIRMAN: Mr. Harkness would you apply yourself to the amendment?

Mr. HARKNESS: I am merely answering the question asked, and explaining this thing. I am speaking on the amendment.

The VICE-CHAIRMAN: Will you stick to it?

Mr. HARKNESS: I am also speaking in connection with what Mr. Applewhaite said. This application is for a route through the Crow's Nest Pass which, I think, demonstrates conclusively what the intention of the company is. It indicates that the statement made by Mr. Applewhaite in connection with what these people are likely to do is incorrect.

This amendment of Mr. Green's, in my opinion brings us to the crux of the whole situation—the matter which has been debated in the House for the past several months. It is the question of the routes and whether it will be a Canadian route—the matter on which those of us who have been debating the question are chiefly concerned.

Various people who took part in the debate—practically all I think—stated that they were in favour of an all-Canadian route and wanted to take steps to see that an all-Canadian route was followed. A considerable number stated also that they wanted to get the thing through second reading in the House and get it into the hands of this committee so that the matter could be determined. We were to get evidence to determine whether it would be an all-Canadian route or whether it would not be a Canadian route. As Mr. Green has pointed out the evidence we have had does not indicate any firm intention of the company applying for the charter building an all-Canadian route. As a matter of fact, the weight of evidence I would think, would lead one to believe that if they secure permission they will probably build on an American route.

Therefore, I think that every member of this committee who wishes to ensure that an all-Canadian route is followed should vote for the amendment.

Mr. BYRNE: Mr. Chairman, I suppose my objection to this amendment could be substantially the same as my objection to the previous amendment. I refer to the needs of Canada and the Canadian people.

The previous speaker has indicated that the West Coast Transmission Company, which has a charter, has assured the Committee that they would not build anything but an all-Canadian route. He was counting merely on their statement to the committee, which did not go on the record and which did not go in the bill.

Mr. HARKNESS: I made my argument—

Mr. BYRNE: Since that time, West Coast Transmission Company has made application to the Board of Transport Commissioners for Canada. It says here: "West Coast Transmission Company hereby makes application under sections 11 and 12 and other relevant sections of the Pipe Line Act for an order granting leave to the West Coast Transmission Company Limited to construct a pipe line for transporting gas from a point in the vicinity of the city of Edmonton in the province of Alberta to a point in the vicinity of Kingsgate in the province of British Columbia, including a branch line from a point in the vicinity of the town of Kingsgate in British Columbia to the vicinity of the town of Trail in British Columbia. Filed herewith is a map showing the general location.



Dated at Ottawa on the 11th day of May, 1949"—which was at least a month after they had made that so-called promise to the committee.

I come from the area described and I know it well enough to say that they do not intend to stop at Kingsgate. Kingsgate is a little border town and has only the customs and immigration officials there. They would not just make a branch line to Trail. They intend in that application to follow the yellow route—route C.

Mr. SMITH: That was withdrawn long ago.

Mr. BYRNE: If this amendment were one that at least allowed the company if necessary, to follow that black line—

Mr. FERGUSON: What black line?

Mr. BYRNE: The blue line. If you follow the straight and narrow line you will do all right.

As I was saying, following the dark line from Kingsgate down to Spokane and down to the bottom—in a sort of a horseshoe—

An Hon. MEMBER: What about the horseshoe?

Mr. BYRNE: It is so rugged in that area that it is not practical to make anything but a jog down into the United States.

Now, the only town of any consequence that would be missed would be the town of Creston, which is, I suppose, probably eight or nine miles from Kingsgate. A stub line could very easily be brought into Creston—thereby not depriving anyone in that area from obtaining natural gas.

I cannot conceive that my honourable friends are sincere in this amendment in that they are obliging the company not to consider any other but that route—which is route A. I do not think the movers of this amendment are sincere in their efforts to do what is in the best interests of the Canadian people. If so, they would not erase any possibility of even just going back and forth across the line in an attempt to get the gas to the Pacific coast at the very cheapest rates possible.

Now, I say again that I possibly should only have referred to my previous objections but the questions which arose certainly made it necessary for me to say what I have said.

Mr. FERGUSON: Mr. Chairman, the cheapest route is not necessarily the best...

The VICE CHAIRMAN: Routes are out of order.

Mr. FERGUSON: I beg your pardon?

The VICE CHAIRMAN: Routes are out of order.

Mr. GREEN: But Mr. Chairman, is that your ruling?

The VICE CHAIRMAN: You are asking for a route to be located entirely in Canada...

Mr. GREEN: Is the route not in order?

Mr. FERGUSON: Mr. Chairman, my remark was that the cheapest route was not always the best one and you ruled me out of order.

The VICE CHAIRMAN: Yes. The cheapest route is not...

Mr. FERGUSON: If you are able to interpret the second part of my sentence then I think that you would not...

Mr. GREEN: All the discussion is on this amendment.

The VICE CHAIRMAN: The question is whether it will be a route in Canada or outside of Canada?

Mr. GREEN: A question of order?

The VICE CHAIRMAN: Sit down.



Mr. GREEN: You cannot make me sit down if I am rising on a question of order.

The VICE-CHAIRMAN: Yes I can.

Mr. GREEN: No you cannot.

The VICE CHAIRMAN: You did not say you were taking a point of order—at least not when you first stood up.

Mr. GREEN: The amendment that I moved had to deal with that very point. It is to provide that the main pipe line or lines either for the transmission and transportation of oil and gas shall be located entirely within Canada. All of the discussion right up to this point has had to do with the routes and it must necessarily have to do with routes because that is the very question involved.

I submit that when you tried to rule the member for Simcoe...

The VICE CHAIRMAN: He was talking about cheaper rates.

Mr. GREEN: He is entitled to talk about routes and the question of the cost of routes comes into that picture.

Mr. FERGUSON: I think there is also this consideration to be kept in mind should an all through Canada route be adopted, that if that method is carried out we will not have any possible interference from the federal authorities in the United States.

An hon. MEMBER: But have we ever had any?

Mr. FERGUSON: Yes, we have. The additional cost may be off-set by acquiring the positive knowledge that we will avoid interference, avoid remote interference by the federal authorities in the United States as to the use of this gas in the province of British Columbia and in the city of Vancouver. That is why the hon. member for Vancouver-Quadra made this amendment and that is why I support it and why I am speaking in favour of it. Therefore I say that cost was not the entire factor, and that probably it may be ultimately more beneficial to Canadians to have an all Canadian route.

We have asked for an undertaking from the company to the members of the House of Commons and this committee that they will guarantee at all times to see that Canada is supplied before the United States; that is, that Canada is supplied with whatever is necessary. Yet only a few minutes ago the sponsor of this bill refused to give us that guarantee and said: "Oh, no, I won't give it."

After we have spent quite a few days in this committee it ends up with this: that the man here who is representing this company today, Mr. Dixon, wants to give absolutely nothing but wants to obtain a charter for the original purpose that he entered into negotiations with his friends, and that was to obtain all the gas available in Canada and to sell it to the biggest market at the highest possible price. And this statement, I am sure, will not be denied by Mr. Dixon because if I were sitting in his chair, I could not deny it, because it is true. We are here to see that our people are served as we can serve them as members of parliament who can hold back this charter until the people of Canada are served. That is not flag-waving at all. That is common sense.

If a charter is granted, would not the Board of Transport Commissioners say: well, they have been granted a charter so there is little more for us to do except stereotype work. The members of parliament have primarily the greatest responsibility because they are the people who set the bill in motion, and like a snowball from there on it will gather momentum and gather barnacles.

We are being asked to put this bill in motion, and I say that unless we see that the people we represent are protected down to the smallest particle, we should not put this bill in motion. That is the power of parliament, and that power was not given to us simply to act as rubber stamps and to hand our duties over to five men, or to a commission, or to the Minister of Trade and Commerce.

The letters of the Right Hon. Mr. C. D. Howe have been brought forth today and he makes statements which are directly the opposite to those made



by the gentlemen who are working for the charter. I say that we, two hundred members of parliament, should not hand over our duty to a politically appointed gentleman and say: here is the ball; you take the ball but we will be responsible for the touchdown. We are called filibusters simple because we are honestly and sincerely trying to remedy a situation.

The Vice CHAIRMAN: You are certainly out of order, Mr. Ferguson.

Mr. GOODE: Mr. Chairman, with respect to the cost factor, I think Mr. Green has mentioned that the Canadian route would cost about \$48 million more than the American route.

Mr. GREEN: No, no, I did not say any such thing. I said that an all Canadian route would mean the expenditure in British Columbia of about \$45 million more than in the United States.

Mr. GOODE: You mean to be spent in Canada?

Mr. GREEN: Yes, that is right.

Mr. GOODE: Well, let us see who is going to spend that money in Canada? I would like to point out this fact that the evidence has been given and it has not been denied; and I put a question to the effect that the people of the lower mainland of British Columbia are going to pay \$20 million for it during the next twenty years, during the life of that pipe line.

Mr. HERRIDGE: Mr. Chairman, I just want to say that I support this amendment on exactly the same grounds that I supported the first amendment by Mr. Green, urging that this pipe line be first built through Canada before entering the United States. I can quite understand Mr. Robinson getting somewhat confused in this matter.

Mr. ROBINSON: When you can convince me that there are not two applications by west coast transmission people before the Board of Transport Commissioners, then I will admit that I am confused.

Mr. SMITH: I will bet all the money I have got that there are not.

Mr. ROBINSON: I mean two applications which are filed and waiting to be heard following the hearings in Alberta?

An Hon. MEMBER: You are betting all the money you have got?

Mr. SMITH: I said all the money I had.

Mr. HERRIDGE: The remarks made are somewhat out-dated now, Mr. Chairman. The companies which are incorporated are assured that they are going to build an all Canadian route. There was an amendment proposed to the act on the assurance of these gentlemen. Now, Mr. Dixon in giving his evidence before this committee said that the company proposed to submit five possible routes to the Board of Transport Commissioners. Later, on a request of a member of the committee from Alberta he said that he had investigated the possibilities of a sixth route through the Yellowhead Pass, and that is how we had the suggestion for that sixth route.

Mr. SMITH: And that is in northern Alberta.

Mr. HERRIDGE: Yes. Now, Mr. Chairman, it seems to me more of a question of route. He said he did not express any choice, would not express any choice for any one of these routes. He said that he was prepared to build the route that he was ordered to build. Now, there was considerable discussion in the House, as well as in the committee, as to where the route should be built, and in this amendment we are suggesting that parliament give those orders by legislation, and I am quite sure that Mr. Dixon on receiving those orders would build the all-Canadian route.

The VICE-CHAIRMAN: The question is on the amendment. Moved by Mr. Green that paragraph (a) of section 6 of Bill 7 be amended by inserting



after the word "hydrocarbons", in the 28th line, the following "provided that the main pipe line or lines either for the transmission and transportation of oil or gas, shall be located entirely within Canada".

There will be a recorded vote.

The CLERK: Yeas, 9; nays, 24.

The VICE-CHAIRMAN: I declare the amendment lost.

Shall section 6 carry?

Mr. GREEN: I have a question I would like to put on section 6. Might I ask Mr. Connolly why it is necessary to insert that clause the power to hold real and personal property, because in section 7 (b) of the Pipe Lines Act there appears to be exactly the same clause. Why is that power repeated in the charter? You do not repeat any of the other powers given by the main Act.

Mr. CONNOLLY: It is a matter of practice, Mr. Green. It is inserted in this bill and in all the other similar bills; as a matter of fact it is in the Companies Act, too. But as a matter of practice it was felt after consultation with the people concerned, that it was as well to have it there, as it was in the other acts, and it would make for uniformity.

Mr. GREEN: What additional powers would it give the company?

Mr. CONNOLLY: It makes it quite clear.

Mr. GREEN: I mean over and above the powers that are given in the Pipe Lines Act?

Mr. CONNOLLY: It makes it quite clear as to the power of the company to hold real and personal property. I think it is a useful clause to have.

Mr. GREEN: Do you think it goes any further than the similar clause in the Pipe Lines Act?

Mr. CONNOLLY: It might, but it is a practice which has developed among the lawyers which they prefer, and I certainly prefer to have it in.

The VICE-CHAIRMAN: Carried.

Section 7:

Mr. GREEN: Would you explain that section?

Mr. CONNOLLY: Section 7, sir?

Mr. GREEN: Yes.

Mr. CONNOLLY: Yes. The general provisions of the Companies Act that apply to a company incorporated by charter are generally set out in part III of the Companies Act. Now, that part III was designed particularly to cover companies peculiarly suited for incorporation under parliamentary charter. Part III confers, in some cases the powers that a commercial company has in others, it does not. Now, there is some inflexibility in some of these provisions, and for that reason it was felt so far as sections 7, 8, 9 and 10 of the bill were concerned, that certain powers of part I should apply to this company, certain parts of part I are more appropriate for use by a company like this, and the corresponding sections of part III are not really appropriate.

The CHAIRMAN: Carried.

Section 8:

Mr. HARKNESS: As far as section 8 is concerned, why are the sections there indicated deleted so far as this company is concerned?

Mr. CONNOLLY: Section 158 has to do with the preference shares. Section 158 is in part III of the Companies Act; it has to do with the preference shares. It was felt that section 59, which is in part I, and parts of which appear in section 9 of this bill, gave more appropriate powers to this company. This company is more like a commercial company in this respect.



Mr. HARKNESS: Quite, are those in all the other company acts?

Mr. CONNOLLY: Yes. As a matter of fact, there are fewer provisions in this bill than there are in some of the bills, but generally speaking the same treatment has been given all of the bills.

Mr. GREEN: Would you give us a brief explanation of each of those items in section 8?

Mr. CONNOLLY: Yes, I would be glad to. First, section 158 deals with preference shares.

Mr. GREEN: What does that do?

Mr. CONNOLLY: It sets out how the directors can create preference shares and how such preference shareholders can get voting rights in certain cases. There are certain powers required from time to time which have to be obtained through the governor-in-council. The provisions of section 59 are more elaborate than those contained in section 158. Section 59 deals with the same subject matter as section 158.

Mr. GREEN: They deal in—

Mr. CONNOLLY: The same subject matter but not in exactly the same detail.

Mr. GREEN: What about the other two?

Mr. CONNOLLY: 163 is a very short section in part III, which provides that at least 10 per cent of the issued preference shares of a company shall be called each year. These are the redeemable shares. I am informed that that is a section which has been in the Act for many many years and it is rather obsolete from the point of view of present day practice. It has been eliminated here, and I think very wisely eliminated. It is neither a useful nor a practical provision. Section 180 deals with preference shares again, and it is replaced by the provisions of section 59 which is referred to in the previous section of the bill.

Mr. GREEN: With regard to these preference shares, is the position that your company is going to have wider scope in dealing with the preference shares than it would have if it had been incorporated under the ordinary Companies Act?

Mr. CONNOLLY: No, but the effect of this section is that the provisions which ordinarily apply to commercial companies with reference to this matter of preference shares will be applied to this company under the provisions of part I of the Companies Act.

Mr. GREEN: Then the ones you are leaving out are more restrictive than the ones you are leaving in?

Mr. CONNOLLY: I do not think "restrictive" is the word to use. I think from the point of view of practice—you see the first part of the Companies Act was revised a good deal, and part III takes care of other powers—the purpose of the whole thing is simply to make it more workable. That is the point.

Mr. GREEN: What about the other two?

Mr. CONNOLLY: Yes. 180 I think is the next one—no 190. Section 190, and this is from part III, provides in effect, that the company shall not use any of its funds in the purchase of shares in any other corporation unless in so far as such purchase is specially authorized by a special act. The practice in other companies is that when they prosper and move ahead, that is what they do.

Mr. GREEN: Oh, that is the section which permits you to invest funds in your associated companies?

Mr. CONNOLLY: Oh, no—this is only the power to invest—in other companies generally.

Shall section 9 carry?

Carried.



## Section 10?

Mr. GREEN: On section 10, Mr. Chairman—that is the provision allowing for commission to be paid on subscriptions covering not only shares but also bond debenture stock and other securities. Are there any arrangements in mind of that type? That section gives you the power—

Mr. CONNOLLY: The power to pay commissions.

Mr. GREEN: What agreements have you in mind? It gives you pretty wide powers?

Mr. CONNOLLY: You say pretty wide powers but it is restricted to 10 per cent—that is the restriction placed upon dominion companies incorporated by letters patent. The authorities in the State Department here will not give you a charter unless you have a restriction of that kind. That is also provided for, I may say, under section 16, part 1 of the Companies Act. In a practical way—

Mr. GREEN: No, I was asking you whether you have any agreements?

Mr. CONNOLLY: To pay commissions?

Mr. GREEN: Yes?

Mr. CONNOLLY: No.

Mr. GREEN: Are there any being negotiated?

Mr. CONNOLLY: No negotiations.

Mr. GOODE: Is this in every Act?

Mr. CONNOLLY: Yes.

The VICE-CHAIRMAN: Shall the section carry?

Carried.

Shall the title carry?

Carried.

Shall I report the bill?

Carried.

Mr. GREEN: No, on division.

Mr. MAYBANK: Mr. Chairman, Mr. Benidickson is the sponsor of the other bill, the situation respecting which is so very similar to the one which we have been discussing over these two or three days.

Now, I realize that we have had a very great deal of disagreement here but that is natural in the circumstances, I suppose.

However, I do feel that everybody would agree that at least equal treatment should be given to this other company, and the bill is the same bill. I submit to members of the committee that it would be fair to immediately report the other bill of which Mr. Benidickson is the sponsor.

The company is a competitor of this company with which we have been dealing, and a competitor of others. It does seem to me, gentlemen, that what I suggest would be the fair thing to do.

As I say their position is just about the same. They will have different plans and desires and so forth, but the powers they are asking parliament to give them are just the same. It seems to me that we should give these gentlemen who have been sitting here all through this a break by telling them their bill would be reported too.

Mr. GREEN: Mr. Chairman, this is not a question of giving people breaks. We are here as a committee to find out about these applicants for incorporation. The very fact that charters are granted may give promoters very great monetary returns. Our job here is to go into the facts in each case. I certainly do not think that there is any excuse whatsoever for this committee to simply fail to find out about the Prairie Transmission Lines.



Mr. MAYBANK: I just thought you might realize they are in the same position.

Mr. GREEN: We have done our best to find out about the applicants for Alberta Natural Gas Company. We were prevented from doing that as it should have been done by what amounted practically to a closure motion put by Mr. Maybank last night, cutting off the discussion as of 12 o'clock today. That is something that Mr. Maybank and the members who supported him will have to answer for but there is no suggestion that we should give these other people a charter without asking questions and finding out about them. I think it would be a dereliction of our duty and I, for one, would not agree to any action of that kind being taken.

Mr. MAYBANK: I would not wish to press the point to the extent of anybody feeling he was derelict in his duty but I thought we might have gotten away from sitting tonight. Under the circumstances, I suppose, we can deal with it tonight, and tomorrow, and probably get along—

Mr. GREEN: Tomorrow is Saturday.

Mr. MAYBANK: Yes, tomorrow is a good day.

Mr. GREEN: You cannot sit tomorrow.

Mr. MAYBANK: We can.

Mr. GREEN: Not under the rules of the House.

Mr. MAYBANK: Yes, but, as a matter of fact at 11 o'clock tonight it is my intention to move that we sit at 10 o'clock tomorrow. I feel that it is only fair that we should find out all we can and give the opposition a real opportunity to talk as much as they wish. I feel that I myself would not have been derelict in my duty in granting the charter to these people but I would not like to have anyone else feel derelict; so I would move that when we adjourn we resume at 8 o'clock this evening.

Mr. CONNOLLY: Perhaps it is a bit unusual but may I, on behalf of Mr. Dixon, thank you, Mr. Chairman, and the other members of the committee, for the very courteous and patient treatment you have given us during the last three rather trying days.

Mr. McIVOR: I have done a lot of listening but I must say that I admired the stubborn intelligence of the opposition. They brought out a lot of facts and you cannot but admire them. But, do not forget either, that the witness to my left stood against all comers in such a way that he was not even as much flustered as I was.

The VICE-CHAIRMAN: We shall adjourn until 8.15 o'clock this evening.